

NORTH CAROLINA GENERAL ASSEMBLY



HIGHLIGHTS: FISCAL AND BUDGETARY ACTIONS 2009 REGULAR SESSION

**PREPARED BY THE
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Highlights

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The Fiscal Research Division is a nonpartisan, central staff office that provides fiscal and policy information to the Legislature.

To the Members of the General Assembly:

The Fiscal Research Division is pleased to present the annual *Highlights* document, which compiles the 2009 legislative session fiscal and budgetary actions that resulted in the enactment of a total State budget of \$49.3 billion for each year of the 2009-11 biennium. As you were considering these legislative actions, the State faced a dismal economic climate. The 2009 Appropriations Act reflects your actions to close an unprecedented \$4.6 billion budget gap between the projected revenues for FY 2009-10 and the Governor's Recommended Continuation Budget.

We have included in the 2009 *Highlights* information on several important topics related to the economic climate within which you enacted the 2009 Appropriations Act and other substantive legislation, including the:

- 2009 State budget crisis,
- Condition of the global economy,
- State's economic outlook,
- American Reinvestment and Recovery Act ("the stimulus"), and
- Revenue shortfalls and budget gaps that our State has faced over the past 20 years.

Additionally, *Highlights* includes a wealth of information on frequently-discussed issues, including:

- Medicaid,
- Education enrollment growth,
- Economic development,
- Federal block grants,
- The State's historic sites, museums, and public libraries,
- The Highway and Highway Trust funds, and
- The State Lottery Fund.

Also, there is information on statewide issues related to salaries, retirement and health benefits, information technology, the Savings Reserve, and capital projects.

Finally, as in prior years, *Highlights* provides historical and current budgetary information for each agency as well as summaries of (1) selected Governmental and Proprietary Funds in the State treasury from all tax, fee, gift, and grant sources; (2) the revenue and fee adjustments enacted in 2009; and (3) your appropriation of those funds to the various agencies. An annotated version of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets is also included to detail the legislative adjustments to the Governor's Recommended Continuation Budget and the special budgetary provisions.

Highlights was designed to provide a summary of your fiscal and budgetary actions taken during the 2009 Session, a historical record of those actions, and an expanded view of the State budget. We trust that you will find it informative and useful.

In addition to this print version, this document may be viewed online at:

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Cultural Resources
General Assembly
Governor's Office
Insurance
Information Technology Services
Housing Finance Agency
Licensing Boards
Lieutenant Governor
Revenue
Secretary of State
State Board of Elections
State Budget and Management
State Controller
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Justice and Public Safety

Correction
Crime Control & Public Safety
Judicial
Justice
Juvenile Justice & Delinquency Prevention

Health and Human Services

Department of Health and Human Services

Natural and Economic Resources

Environment and Natural Resources
Agriculture
Commerce
Labor

Transportation/Information Technology

Department of Transportation
State Highway Patrol
Information Technology Services

Education

Public Instruction (K-12)
Community Colleges
University of North Carolina

Economy and Taxation

Revenue Estimates
Finance Committees
Revenue Laws Study Committee
Economic Issues
State Bond Proposals
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Executive Summary

Introduction

The 2009 North Carolina General Assembly convened on January 28th.

On March 10th Governor Beverly Perdue presented the State of the State address to a joint session of the General Assembly. A week later, on March 17th, Governor Perdue presented her recommended budget for the 2009-11 biennium to a joint meeting of the House and Senate Appropriations Committees, outlining \$22.1 billion in recommended expenditures.

After significant work and lengthy deliberations, the Senate passed Senate Bill 202, Appropriations Act of 2009, on April 9th, and the House of Representatives passed a differing version of the bill on June 13th. The Senate on June 15 failed to concur with the House Committee substitute, and both chambers appointed members to a Conference Committee. The Act was ratified on August 5th, and Governor Perdue signed it into law August 11, 2009. Both chambers ratified Senate Joint Resolution 1109, adjourning on August 12, 2009 to reconvene May 12, 2010.

2009 State Budget Crisis

North Carolina's 2009 Legislative Session will be remembered for the largest revenue shortfall and budget gap the State has experienced since the 1970s. The nation was mired in the longest recession since the Great Depression; and with the economy on a downslide, two-thirds of the states already were facing budget gaps nearing \$40 billion while crafting their FY 2008-09 budgets.¹

When the General Assembly enacted the FY 2008-09 budget, the State's economy had already weakened but it appeared that North Carolina would avoid a widespread economic recession. But by early 2009, optimism had dwindled as revenue collections tracked below target, and it became evident that North Carolina could not avoid the impact of the national recession.

With revenue collections lagging, newly sworn-in Governor Perdue issued directives to curtail spending and draw from various State's reserves to avoid a deficit for FY 2008-09. At the fiscal year's end, actual General Fund revenues for FY 2008-09 were \$3.2 billion below the \$20.9 billion FY 2008-09 budgeted amount. At the same time, revenue estimates for FY 2009-10 dropped, leaving the General Assembly to struggle to balance the FY 2009-11 Biennial budget.

¹ Update on State Budget Gaps: 2009 & 2010, National Conference of State Legislatures, February 20, 2009.

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2009 Appropriations Act

All Funds

Despite having to deal with the fiscal effects of the recession, on August 5th 2009, the General Assembly enacted Session Law 2009-451 (Senate Bill 202), a balanced budget of \$49.3 billion, including a \$36.6 billion General Fund operating budget for FY 2009-11.

The final \$49.3 billion budget, which represents a \$658 million decrease (or 1.2 percent) from the previous fiscal year's \$49.9 billion, masks the severity of the fiscal crisis. The State General Fund is down \$2.3 billion (or 10.9 percent); federal funds are up \$2.3 billion; highway funds are down \$483 million and departmental receipts are down \$294 million from FY 2008-09. The FY 2009-11 biennial budget relies heavily on federal American Recovery and Reinvestment Act (ARRA) funds. When adjusted for the \$1.7 billion in ARRA funds, the FY 2009-10 total State budget actually decreased \$2.3 billion or 4.7 percent. The following table shows the change in each source of funds from the previous fiscal year.

Change in Source of Funds FY 2008-09 to FY 2009-10

	Certified FY 2008-09	Certified FY 2009-10	Increase/ (Decrease)
General Fund Availability ²	21,355,967,434	19,018,634,381	(2,337,333,053)
Federal Funds	11,855,554,097	14,190,633,924	2,335,079,827
Highway Funds ³	2,765,610,000	2,282,687,849	(482,922,151)
Other Departmental Receipts Transfers from	7,875,746,677	7,581,858,220	(293,888,457)
Other Funds & Availability	6,081,935,179	6,202,618,834	120,683,655
TOTAL	\$49,934,813,387	\$49,276,433,208	(\$658,380,179)

² As amended by S.L. 2009-575.

³ Excludes transfers to General Fund Availability of \$108.5 m for FY 2009-10 and \$72.8 m for FY 2010-11.

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At \$18 billion (or 36.6 percent), tax revenue constitute the largest source of the \$49.3 billion in all State funds available for appropriation. Federal funds, at \$14.2 billion or 28.8 percent are higher than usual because of the infusion of ARRA funds. The table that follows provides additional detail on the sources of funds available for appropriation.

Total State Funds, FY 2009-2011

	Certified FY 2009-10	Certified FY 2010-11
Beginning Unreserved Fund Balance⁴	91,967,011	3,702,182
Tax Revenue		
Individual Income	9,514,248,824	9,952,300,000
Corporate Income	1,051,100,000	965,400,000
Sales and Use	5,628,611,286	6,015,050,000
Other	1,861,233,859	1,909,600,000
Subtotal Tax Revenue	18,055,193,969	18,842,350,000
Nontax Revenue		
Investment Income	67,200,000	93,100,000
Judicial Fees	247,830,909	259,775,278
Disproportionate Share Receipts	125,000,000	100,000,000
Other	305,342,492	253,338,053
Transfer from Highway Funds	126,100,000	90,400,000
Subtotal Nontax Revenue	871,473,401	796,613,331
Subtotal General Fund Availability⁵	19,018,634,381	19,642,665,513
Federal Funds	14,190,633,924	13,604,643,417
Highway Funds ⁶	2,282,687,849	2,361,713,607
Other Departmental Receipts	7,581,858,220	7,673,143,067
Transfers from Other Funds & Availability ⁷	6,202,618,834	6,070,424,557
TOTAL	\$49,276,433,208	\$49,352,590,161

⁴ As amended by S.L. 2009-575, Modify Appropriations Act. S.L. 2009-451 estimated \$10,524,411 for FY 2010-11.

⁵ As amended by S.L. 2009-575.

⁶ Excludes transfers to General Fund Availability of \$108.5 m for FY 2009-10 and \$72.8 m for FY 2010-11.

⁷ In some cases agency budgets may include duplication due to interagency transfers and other limitations in certified budget information.

Executive Summary

Using the total funds \$49.3 billion available shown in the previous table, the General Assembly enacted S.L. 2009-451, the 2009 Appropriations Act, adjusting revenue and appropriating \$49.3 billion for FY 2009-10 for the operations, capital improvements, and debt service payments for the 22 principal State departments, agencies and offices, and boards and commissions. The following table shows how FY 2009-10 appropriations were divided among the legislative subcommittees and other spending areas.

Total State Appropriations

Appropriations Subcommittee/Area	Certified FY 2009-10	Percent of Total
Education	16,266,894,850	33.0%
General Government	3,250,570,118	6.6%
Health & Human Services	16,825,992,520	34.1%
Justice & Public Safety	2,848,549,546	5.8%
Natural & Economic Resources	6,064,242,283	12.3%
Capital	4,875,000	0.01%
Reserves & Debt Service	926,014,896	1.9%
Transportation	3,085,591,813	6.3%
TOTAL⁸	\$49,272,731,026	100.0%
Unappropriated Balance Remaining⁹	3,702,182	

General Fund

By the time the 2009 General Assembly convened in late January, State General Fund revenue collections were already down \$630 million. In March 2009 the Office of State Budget and Management and Fiscal Research Division estimated revenue for FY 2009-10 at \$18.86 billion, \$3.2 billion less than Governor Perdue's Recommended Continuation Budget. By May, the forecast was adjusted down by another \$1.4 billion to \$17.52 billion, creating an unprecedented \$4.6 billion General Fund budget gap as illustrated in the following table.

	FY 2009-10
Revised Revenue Forecast	17,516,400,000
Governor's Recommended Budget	(22,075,170,781)
Budget Gap	(\$4,558,770,781)

⁸ In some cases agency budgets may include duplication due to interagency transfers and other limitations in certified budget information.

⁹ As amended by S.L. 2009-575; S.L. 2009-451 estimated \$10,524,411.

Executive Summary

To close this gap between the revised revenue forecast and the Governor’s recommended spending plan, the General Assembly used a combination of availability changes including one-time federal funds, revenue enhancements and other fund balances, and budget reductions as follows:

Availability Changes

- **Budgeted American Recovery and Reinvestment Act (ARRA) Funds:** As noted previously, the General Fund budget gap was mitigated in large part by federal ARRA funds. The General Assembly was able to avoid even deeper reductions by using one-time ARRA funds to backfill \$1.4 billion of the budget gap. For a more detailed listing of federal ARRA funds used to close the budget gap, see the Special Topics section.
- **Increased Availability From Other Sources:** The General Assembly increased availability by \$1.4 billion by raising fees and taxes, and by transferring balances from other funds into the General Fund. For a more information on revenue enhancements used to close the budget gap, see the Finance section.

Budget Reductions

- **Adjusted the Governor’s Continuation Budget:** Governor Perdue included in her recommended continuation budget additional funds for inflation, program growth and several items typically considered expansion items. The General Assembly eliminated many of these items; reduced each agency’s continuation budget down to at least FY 2008-09 authorized levels, sometimes lower, resulting in reductions of \$963 million.
- **Implemented Management Flexibility Reductions:** In some agency budgets, the General Assembly took large, non-specific cuts and directed those agencies to implement the cuts within certain limitations or as they saw fit. Across the General Fund, Management Flexibility reductions totaled \$313 million.
- **Cut Agency Budgets** In addition to continuation budget adjustments and Management Flexibility reductions, the General Assembly cut agency budgets by an additional \$475 million. The following table summarizes the financial impact of these strategies on the \$4.6 billion General Fund budget gap.

	FY 2009-10
Continuation Budget Adjustments	(963,286,860)
Management Flexibility Reductions	(312,794,590)
Agency Budget Cuts	(474,558,104)
Federal ARRA Funds	(1,397,863,857)
Increased Availability	(1,410,267,370)
TOTAL	(4,558,770,781)

Executive Summary

General Fund: Overview

As noted previously, the recession’s most significant impact on the State budget was seen in the General Fund, which operates principally under the appropriations act enacted by the General Assembly. It is the main operating fund of State government, accounting for the ordinary, everyday operations for which special funds have not been established. The following Condition of the Fund Statement provides a snapshot of the General Fund, detailing balances for the Funds’ largest reserves after the annual appropriation act is enacted and the prior fiscal year is officially closed out.

Condition of the Fund Statement

	FY 2009-10	FY 2010-11
Ending Unreserved Fund Balance	291,373,501	3,972,262
Less Reserves:		
Savings Reserve Account	150,000,000	150,000,000
Savings Reserve - 2009 Session Action	0	0
Repairs and Renovations - 2009 Session Action	0	0
Disaster Relief (Isabel)	43,954,671	43,954,671
Miscellaneous Reserves	5,181,739	5,181,739
Subtotal	199,136,410	199,136,410
Beginning Unreserved Fund Balance at June 30, 2009¹⁰	92,237,091	3,972,262
<u>Revenue</u>		
Tax Revenue	18,055,193,969	18,842,350,000
Non-Tax Revenue	745,373,401	706,213,331
Highway Funds Transfer	126,100,000	90,400,000
Subtotal	18,926,667,370	19,638,963,331
Agency Revenue	17,604,655,389	17,089,105,525
Total General Fund Availability	\$36,623,559,850	\$36,732,041,118
<u>Less Appropriations</u>	\$36,619,587,588	\$36,648,870,101
Balance Remaining	\$3,972,262	\$83,171,017

¹⁰ Beginning actual Unreserved Fund Balance after earmarkings (actual as per Office of State Budget and Management and Office of State Controller); the 2009 Appropriations Act, S.L. 2009-451, estimated \$91,967,011.

Executive Summary

General Fund: Funds Available for Appropriation

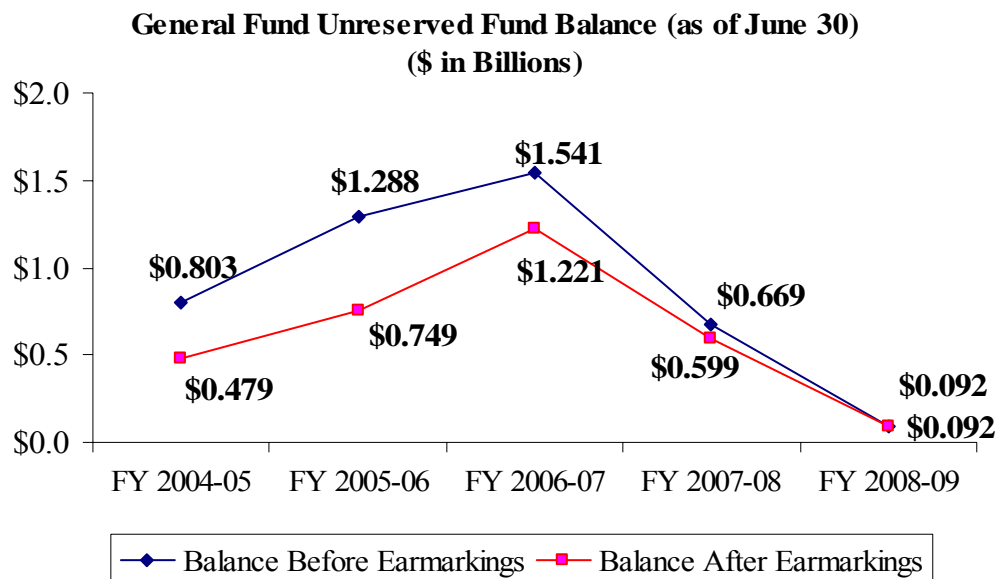
The General Fund is comprised of general fund availability (made up of unreserved fund balance and general purpose revenue) and agency revenue. The economic recession affected all of these components.

General Fund Availability

General Fund Availability is made up of unreserved fund balance and general purpose revenue. In FY 2009-10, General Fund Availability totaled \$19.0 billion, a decline of 11.1 percent from the previous amount budgeted.

Unreserved Fund Balance

Unreserved fund balance is the money resulting from the previous fiscal year's over-collections and unspent appropriations. In a healthy economy, the State's General Fund unreserved fund balance can provide the General Assembly with significant availability; it usually provides the basis for adjustments to the State's Savings Reserve and Repairs and Renovations Reserve Accounts and often funds large expansion items such as capital, information technology and other non-recurring expenditures. Conversely, a sharp downturn in the economy usually results in a precipitous drop in the balance as seen in the chart that follows¹¹. For FY 2009-10, unreserved fund balance totaled just under \$92 million.



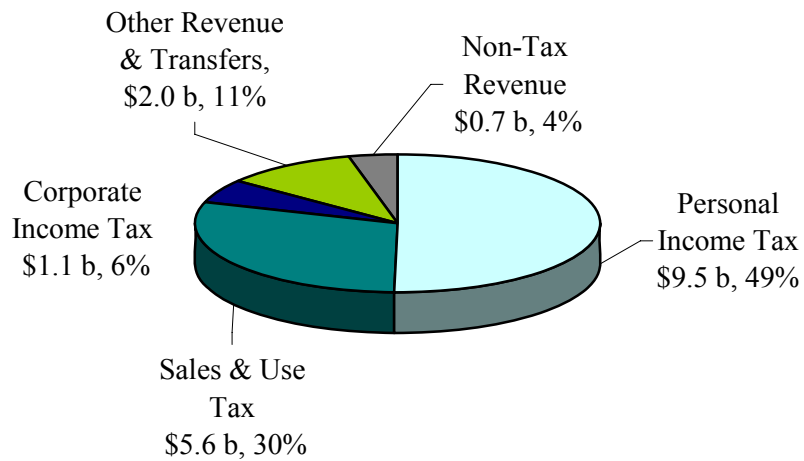
¹¹ Statutory ear-markings: Savings Reserve Account, G.S. 143C-4-2 and Repairs and Renovations Reserve Account, G.S. 143C-4-2, 4-3.

Executive Summary

General Purpose Revenue

The \$18.9 billion in general purpose revenue for FY 2009-10 represents a 9 percent decrease from the previous fiscal year's budgeted amount, which totaled \$20.8 billion. This significant decrease is attributable to the economic recession. The following chart provides a breakdown of general purpose revenue by source.

FY 2009-10 General Purpose Revenue ¹²
\$18.9 Billion



¹² Percentages are based on the consensus revenue forecast revised to include revenue adjustments as enacted by S.L. 2009-451.

Executive Summary

Agency Revenue

In addition to General Fund Availability, the State budget includes \$17.6 billion in agency revenue from federal grants and reimbursements, fees for services and transfers from other funds. Agency revenue represents 48 percent of the total \$36.6 billion General Fund budget. The following table presents agency revenue as certified by the Office of State Budget and Management.

Agency Revenue by Subcommittee/Area

<u>Subcommittee/Area</u>	<u>Certified FY 2009-10</u>
Health and Human Services	12,509,256,073
Education	4,465,483,889
Natural and Economic Resources	222,895,068
Justice and Public Safety	226,584,374
General Government	128,884,067
Debt Service/Capital	51,551,918
TOTAL	\$17,604,655,389

As depicted in the following table, most agency revenues are federal funds; the majority of these, \$7.1 billion or 41 percent, are reimbursements from Medicaid. Of the total \$17.6 billion, 9.3 percent or \$1.7 billion represents federal American Recovery and Reinvestment Act (ARRA) funds. For additional information concerning ARRA funds included in the budget, please see Special Topics section.

Agency Revenue by Source

<u>Source</u>	<u>Certified FY 2009-10</u>	<u>Percent of Total</u>
Federal	12,174,536,123	69%
Highway Funds	49,306,838	0.3%
Receipts	3,420,006,248	19%
Transfers from Other Funds	1,960,806,180	11%
TOTAL	\$17,604,655,389	100%

Executive Summary

General Fund: Appropriations

Using \$36.6 billion in general availability (general purpose revenue and unreserved fund balance) and agency revenue, the General Assembly enacted the State's FY 2009-10 General Fund operating budget of \$36.6 billion. Of that amount, net appropriations totaled \$19.0 billion. Net appropriations which are financed by general availability, reflect the portion of the General Fund for which the General Assembly exercises a great deal of discretion; thus these appropriations more closely reflect the General Assembly's spending priorities. The following chart compares the total and net appropriations by legislative subcommittee or spending area.

General Fund Appropriations by Legislative Subcommittee, FY 2009-10

	Total Appropriations ¹³	% of Total	Net Appropriations ¹⁴	% of Total
Education	15,630,412,586	42.7%	11,164,928,697	58.7%
Health & Human Services	16,412,605,678	44.8%	3,903,349,605	20.5%
Justice & Public Safety	2,416,066,396	6.6%	2,189,482,022	11.5%
Natural & Economic Resources	659,852,304	1.8%	436,957,236	2.3%
General Government	569,760,728	1.6%	440,876,661	2.3%
Capital & Debt Service	700,556,051	1.9%	649,004,133	3.4%
Salaries & Benefits	196,971,860	0.5%	196,971,860	1.0%
Other Reserves	<u>33,361,985</u>	<u>0.1%</u>	<u>33,361,985</u>	<u>0.2%</u>
TOTAL	\$36,619,587,588	100.0%	\$19,014,932,199	100.0%

¹³ Reflect the combination of agency budgets as certified by the Office of State Budget and Management; in some cases agency budgets may include duplication due to interagency transfers and other limitations in certified budget information.

¹⁴ As per S.L. 2009-451 as amended by S.L. 2009-575.

Executive Summary

Major Budget Drivers

The following table presents total appropriations as compared to net appropriations for selected General Fund budget areas. These appropriations typically reflect major budget drivers often impacted by outside influences such as demographics and the economy.

General Fund Appropriations by Major Budget Category, FY 2009-10

Major Budget Category	Total Appropriations	% of total	Net Appropriations	% of total
Public Schools	10,332,767,163	28%	7,458,261,240	39%
Higher Education ¹⁵	5,297,645,423	14%	3,706,667,457	19%
Medicaid	11,020,881,930	30%	2,318,653,169	12%
Correction	1,360,779,886	4%	1,313,815,477	7%
Mental Health ¹⁶	1,353,197,947	4%	664,385,884	3%
Environment ¹⁷	469,638,702	1%	314,142,847	2%
Courts ¹⁸	469,969,810	1%	466,928,250	2%
Capital and Debt	700,556,051	2%	649,004,133	3%
Other	5,614,150,676	15%	2,123,073,742	11%
TOTAL	\$36,619,587,588	100%	\$19,014,932,199	100%

¹⁵ Includes universities and community colleges.

¹⁶ Includes mental health, developmental disabilities and substance abuse services.

¹⁷ Includes environment and agriculture funds.

¹⁸ Excludes funds for indigent defense.

Executive Summary

Highway and Highway Trust Funds

Revenues for the State's transportation programs did not escape the economic fallout from the recession. As previously noted, highway funds (money that flows into the State's Highway Fund and Highway Trust Fund) are down \$483 million (or 17.5 percent) from FY 2008-09 budgeted levels. These funds' primary revenue sources, the motor fuels tax, the Highway Use Tax, and licenses and fees, have been impacted by the weakened economy.

While North Carolina did receive a \$735.5 million infusion of federal ARRA funds during FY 2008-09, most of that money was used to backfill for existing transportation projects. Consequently, those dollars are not reflected in the \$1.7 billion appropriated in the FY 2009-11 budget. For FY 2009-10 and FY 2010-11, the funds total \$3.7 billion each year. The following table presents a consolidated statement of the funds.

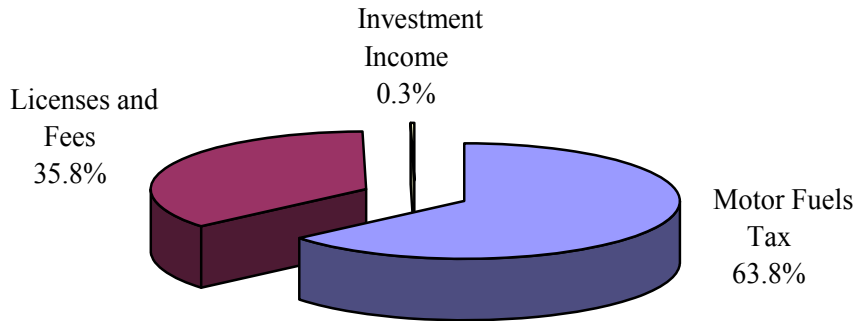
Consolidated Funds Statement FY 2009-11 Budget

	<u>FY 2009-10</u>	<u>FY 2010-11</u>
Beginning Unreserved Fund Balance	0	0
 <u>Highway Fund</u>		
Motor Fuels Tax	1,108,460,000	1,099,750,000
Licenses and Fees	622,130,000	633,900,000
Investment Income	<u>6,000,000</u>	<u>6,000,000</u>
Subtotal	1,736,590,000	1,739,650,000
 <u>Highway Trust Fund</u>		
Motor Fuel Tax	369,490,000	366,580,000
Licenses and Fees	88,820,000	90,540,000
Highway Use Tax	421,580,000	462,470,000
Investment Income	1,400,000	1,400,000
Subtotal	881,290,000	920,990,000
 Federal Funds and Other	 <u>1,050,802,587</u>	 <u>1,061,575,785</u>
Total Funds Available	\$3,668,682,587	\$3,722,215,785
 <u>Less Appropriations</u>	 (\$3,668,682,587)	 (\$3,722,215,785)
Balance Remaining	0	0

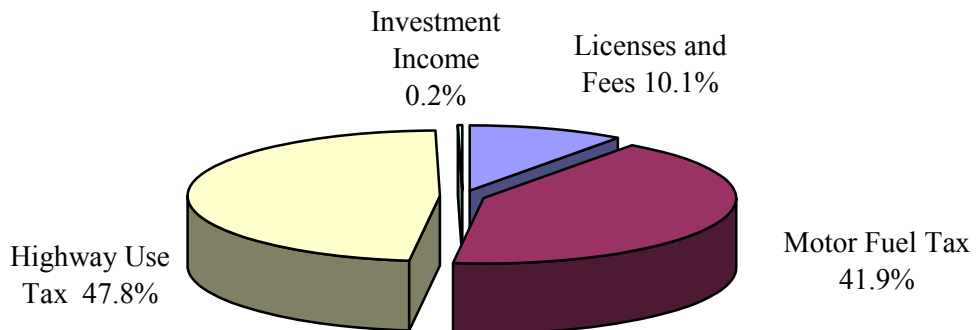
Executive Summary

Highway and Highway Trust Funds

**FY 2009-10 Highway Fund Revenue Sources:
\$1,736,590,000**



**FY 2009-10 Highway Trust Fund Revenue Sources:
\$881,290,000**



Executive Summary

The following table provides a breakdown for the Department of Transportation (DOT) operating budget by major categories of expenditures. This chart shows the total budget for DOT and includes revenues from the Highway Fund, Highway Trust Fund, and Federal Funds.¹⁹ For additional information on the DOT and the State's transportation programs, see the Transportation section.

Department of Transportation	Certified FY 2009-19	Certified FY 2010-11
Highway Construction	1,493,306,625	1,530,618,687
Highway Maintenance	935,999,755	938,245,641
Powell Bill / Aid to Municipalities	129,237,779	131,726,138
Division of Motor Vehicles	131,208,208	131,331,758
Administration	159,879,062	166,309,446
Debt Service	149,897,258	161,989,037
Public Transportation	102,294,923	114,593,962
Ferry Operations	30,126,209	29,726,209
Airports Program	37,349,592	37,291,543
Rail Services	19,601,153	19,601,153
Facility Repairs	0	0
Reserves and Other	17,728,968	30,848,425
TOTAL¹⁹	\$3,206,629,532	\$3,292,281,999
Revenues (federal aid and other)	(1,050,802,587)	(1,061,575,785)
NET HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS	\$2,155,826,945	\$2,230,706,214

¹⁹ Excludes \$462,053,055 in FY 2009-10 and \$429,933,786 in FY 2010-11 in transfers to other agencies.

Executive Summary

State Lottery Fund

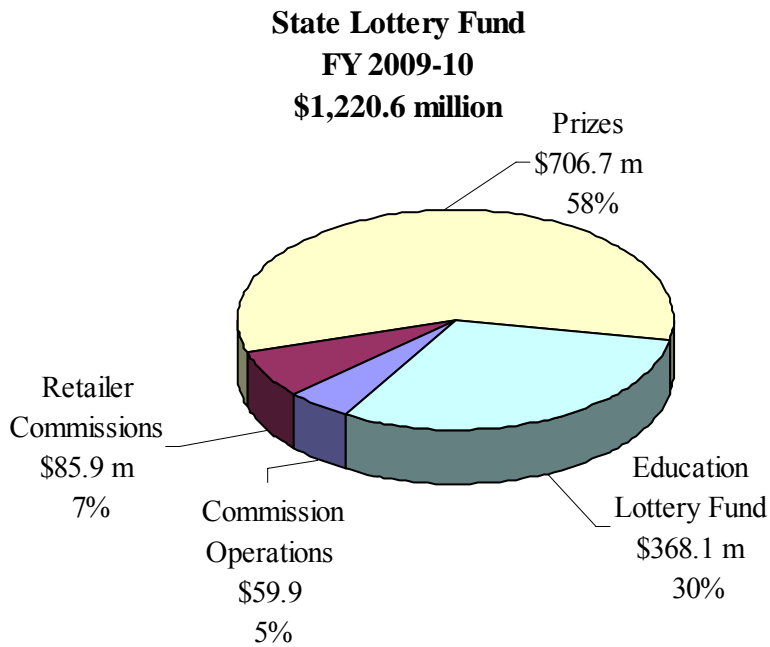
The North Carolina State Lottery Fund (Education Lottery), established in G.S. 18C, is a major enterprise fund for the State. Proceeds generated from retail sales of lottery products are the principal source of revenue. As noted below, significant operating expenses include the cost of prizes and retailer commissions. A portion of the proceeds are transferred to a separate budget to cover the cost of the Lottery Commission and related administrative expenses. Pursuant to G.S. 18C-164, net proceeds from the Lottery Fund are transferred to the NC Education Lottery Fund and the NC Education Lottery Reserve, which are both located administratively within the Office of State Budget and Management.

Lottery Fund

	Certified FY 2009-10
<u>Revenue</u>	\$1,220,574,691
<u>Expenditures</u>	
Lottery Prizes	706,697,757
Retailer Commission	85,883,048
Lottery Commission Support	<u>59,923,678</u>
Total	\$852,504,483
Total Available for Transfer to Education (Net Proceeds)	\$368,070,208
<u>Appropriation of Net Proceeds (S.L. 2009-451 Sec. 5.2(b))</u>	
Class Size Reduction	99,399,395
More At Four	84,635,709
Public School Building Capital Fund	147,228,083
Scholarships	<u>36,807,021</u>
Total	\$368,070,208
Balance Remaining	\$0

Executive Summary

The following chart depicts the allocation of Lottery Fund expenditures for FY 2009-10.



For additional information on the State Lottery, see Special Topics Section.

Executive Summary

North Carolina's Economic Outlook

Background

North Carolina's 2009 Legislative Session will be remembered for the largest revenue shortfall the State has experienced since the 1970s. General Fund revenues were \$3.2 billion below the \$20.9 billion FY 2008-09 budgeted amount, due to the longest and most severe recession since the Great Depression. While this recession is not comparable to the Great Depression in terms of job losses and decline in economic output, it has been the longest post-World War II recession on record, at least 20 months, and arguably the most severe with employment losses approaching five percent (this compares with the Great Depression's losses of over 30 percent). On average, recessions since World War II have lasted 10 months with job losses between one and two percent.

Precursors to the State's 2009 Budget Crisis

The nation's economic crisis started in 2006 when a nationwide housing recession began, marked by significantly falling housing prices. Housing demand fell across the US and within North Carolina, hurting the construction industry and some housing-related business sectors. Nonetheless, it initially appeared that a widespread economic recession would be avoidable both in the State and the nation as a whole. While a weak economy was anticipated for the State, a full-blown recession was not. In the first quarter of FY 2008-09 collections tracked only slightly below budget targets and it appeared North Carolina job losses would be contained to housing-related and some manufacturing sectors as national and global demand weakened.

In May of 2008, the State budget revenue forecast for FY 2008-09 was revised downward by \$66.5 million. The downward revision reflected growing pessimism about the State's ability to avoid the effects of a national recession. The revised forecast assumed that North Carolina, unlike states such as California and Florida with less stable housing markets, would only experience a very mild recession. What was not widely anticipated was the impact of the continuing housing recession and its ability to set off a major, global financial crisis.

The Global Economy

The collapse of the investment firm Lehman Brothers in September 2008 signaled an international financial meltdown and set the global, national, and State economies reeling. The fall of this large investment firm was a clear indication that much of the global financial market was in trouble. The trouble resulted from an ever-growing housing recession that was now occurring worldwide. As mortgage defaults and foreclosures began to rise, many banks and financial institutions globally began to fail or come close to failing. In October of 2008, as a result of this financial market upheaval, an already-weak economy was sent into a deep and prolonged recession. One of the reasons the recession stretched on for twenty months (or possibly more) is the structural corrections required from the intertwined housing and financial market debacle. These types of structural corrections can take a long time to fully unwind.

Since October 2008, the State's economy has suffered significant job losses and a decline in wage and salary income. Statewide, 200,000 fewer people were employed at the end of the fiscal year than at the start and nearly 250,000 fewer since the start of the recession. Both employment and incomes declined throughout 2009; a turnaround is not anticipated until mid-2010.

Executive Summary

North Carolina's Economic Outlook

The result of the economic malaise is a weakened economy and the prospects for only weak economic growth. The largest driver of General Fund collections through the 2009-11 biennium, personal income, remains highly unpredictable due to its reliance on employment and capital gains. Based on the revised consensus numbers developed by the Fiscal Research Division, Department of Revenue, and Office of State Budget and Management, revenues are not projected to return to the \$20.8 budgeted in FY 2008-09 until FY 2013-14.

The discussion that follows provides a table showing the most recent five-year trend of historical and projected General Fund revenues by major category and a description of the major sources of general purpose funds that comprise the State's General Fund.

Historical and Projected General Fund Revenue Collections (\$ in Millions)

	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Actual FY 2008-09	Estimated FY 2009-10
Tax Revenue					
Personal Income	9,400	10,508	10,902	9,470	9,406
Sales & Use	4,894	4,996	4,982	4,678	4,812
Corporate Income	1,204	1,451	1,112	836	810
Franchise	477	531	574	652	622
Insurance	432	476	493	462	487
Tobacco Products	172	241	237	227	214
Alcoholic Beverage	201	213	225	229	229
<u>Other</u>	<u>242</u>	<u>296</u>	<u>307</u>	<u>224</u>	<u>216</u>
Subtotal	17,020	18,712	18,832	16,779	16,796
Nontax Revenue	599	690	801	682	594
Transfers, Highway & Highway Trust Fund	253	58	191	165	127
TOTAL	\$17,873	\$19,460	\$19,824	\$17,625	\$17,516

Personal Income Tax

Personal income tax is the largest source of General Fund collections, accounting for 49 percent of total revenues. North Carolina income tax rates range from six percent to 7.75 percent contingent on taxable income. As described later in the Finance Committee section of this document, the 2009 General Assembly instituted an income tax surtax raising North Carolina's highest effective tax rate to 7.98 percent. Personal income forecasts have been revised downward with policymakers projecting three-tenths of a percent decline in FY 2009-10 and a slight increase of 2.4 percent during FY 2010-11.

Sales and Use Tax

The second largest source of General Fund revenue, the sales and use tax, provides approximately 30 percent of State General Fund revenues. For the retail sales outlook, Fiscal Research projects

Executive Summary

that slowing job growth, coupled with problems in the real estate market as well as weakening consumer confidence, will cause sales-and-use tax collections to decline. Baseline sales tax collections are projected to decline by 4 percent in FY 2009-10, a substantial decline from the eight percent to 10 percent in annual growth experienced since mid-2003.

Corporate Income Tax

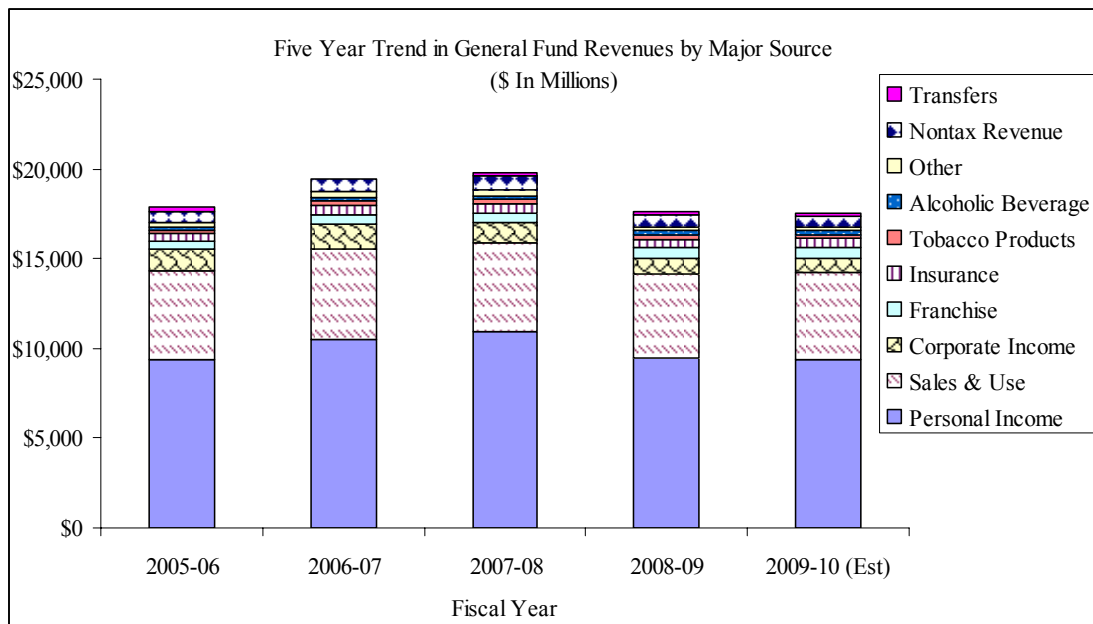
The State levies a corporate income tax on the profits of C-corporations derived from business in the State. Multi-state corporations are required to use a formula to determine how much of their nationwide income can be attributed to North Carolina receipts. Corporate income collections are always very volatile with yearly swings by as much as 40 percent contingent on where the economy is in the business cycle.

The rapid depletion of inventories has helped some businesses going into the rest of 2009 and 2010, but the severe global recession will assure weak demand for products even after the U.S. begins its recovery. For the 2009-11 Biennium, Fiscal Research expects corporate income-tax collections to decline through 2009 and remain relatively flat in the following fiscal year.

Nontax Revenue

In addition to the revenue sources described above, the General Fund also includes funds raised from other tax and non-tax sources. Alcoholic beverage and tobacco tax collections represent roughly two percent of collections in FY 2009-10. The General Fund’s non-tax revenues, investment income, fees, federal government revenues, and transfers from the Highway Trust Fund and the Highway Fund represent approximately five percent of General Fund Revenue during FY 2009-10.

The chart that follows shows the most recent five-year trend of historical and projected General Fund revenues by major categories.



Executive Summary

Selected Budget & Fiscal Policy Highlights

Reduced Funding for LEAs but Protected the Classroom

Reduced funding for public schools but protected K-3 classroom teacher-to-pupil ratios; allowed the State Board to provide temporary additional budget flexibility to allow LEAs to implement budget reductions; and encouraged LEAs to use budgetary flexibility and federal ARRA to protect classroom positions.

Community College Enrollment Growth

Appropriated \$58.1 million for FY 2009-10 and \$99.2 million for FY 2010-11 to fully fund projected enrollment growth at the State's 58 community colleges – a 7.6 percent increase or approximately 15,250 FTE students.

Enrollment for Health Choice

Appropriated an additional \$17 million for FY 2009-10; \$22 million for FY 2010-11 to provide health care coverage for 9,098 additional children.

State Prison Closures

The General Assembly directed the closure of the following State prisons:

- McCain Correctional Hospital
- Guilford Correctional Center
- Umstead Correctional Center
- Wilmington Residential Facility for Women
- Gates Correctional Center
- Union Correctional Center
- Cleveland Correctional Center

Medicaid Adjustments

- Reduced rates for providers
- Changed reimbursements for prescription drugs
- Tightened guidelines for provision of personal care services

State Workforce

- Eliminated approximately 2,136 State positions
- Restricted salary increases or adjustments
- Established a \$48 million Severance Expenditure Reserve

For additional information, see Annotated Conference Report sections.

General Fund Revenue

- Increased Sales and Use Tax by 1 percent (effective September 1, 2009 through July 1, 2011) to 7.75 percent
- Increased Corporate and Excise Tax
- Instituted an Individual Income Surtax

Executive Summary

**Significant Special Provisions
Session Law 2009-451 Senate Bill 202**

Section 5.1 CIVIL PENALTIES AND FORFEITURES/FUND AVAILABILITY AND APPROPRIATION

This section delineates the \$156,546,041 in net proceeds and appropriations from civil penalties and forfeitures collected by various State agencies pursuant to Article IX, Section 17 of the NC Constitution. FY 2009-10 appropriations are as follows:

School Technology Fund	\$ 36,183,251
School Public School Fund	<u>\$120,362,790</u>
Total	\$156,546,041

Section 5.2 EDUCATION LOTTERY

This section delineates the \$368,070,208 in net proceeds and appropriations from the State Lottery Fund pursuant to G. S. 18C-164.

For more detail on the State Lottery, see Special Topics section.

Section 5.6 OTHER RECEIPTS FROM PENDING GRANT AWARDS

This section appropriates funds from grants awarded subsequent to the enactment of the 2009 Appropriations Act, provided the Office of State Budget and Management consult with the Joint Commission on Governmental Operations prior to expenditure of the grant funds.

Section 6.6E CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

For the third consecutive year, the General Assembly enacted continuation reviews for State agencies. This initiative eliminates the recurring funding for seven programs, and provides funding on a nonrecurring basis for one year, pending the results of written reports from program administrators, and after the Appropriations Committees determine whether these programs should be increased, continued, reduced or eliminated.

The General Assembly selected the following programs for continuation review:

- Judicial Department – Office of Indigent Defense
 - Sentencing Services Program
- Department of Transportation
 - Driver's Education Program
- Community College System
 - Prisoner Education Program

Executive Summary

- Department of Administration
 - Parking Office (Continuation of previous study)

- Department of Environment of Natural Resources
 - Young Offenders/BRIDGE Program

Additional Legislation

S.L. 2009-215 and S.L. 2009-16 SAVINGS RESERVE ACCOUNT

The General Assembly enacted S.L. 2009-215 and S.L. 2009-16, appropriating a total of \$636.6 million from the State's Savings Reserve Account. The balance at June 30, 2009 was \$150 million.

For additional information on the Account, see Special Topics section.

Appropriations Subcommittee on Education

Subcommittee Summary:

The Education Subcommittees, consisting of 22 members of the General Assembly, review and recommend the budget for the State’s public pre-kindergarten programs; elementary and secondary (K-12) schools; vocational, technical, college-transfer, and other courses offered through 58 community colleges; and the State’s 16 universities and affiliated programs.

Subcommittee Membership:

Rep. Rick Glazier, Chair
 Rep. Marian N. McLawhorn, Chair
 Rep. Ray Rapp, Chair
 Rep. Larry M. Bell
 Rep. Linda P. Johnson
 Rep. Marvin W. Lucas
 Rep. Earline W. Parmon
 Rep. Cullie M. Tarleton
 Rep. Hugh Blackwell
 Rep. Mark K. Hilton
 Rep. Bryan R. Holloway
 Rep. Laura I. Wiley

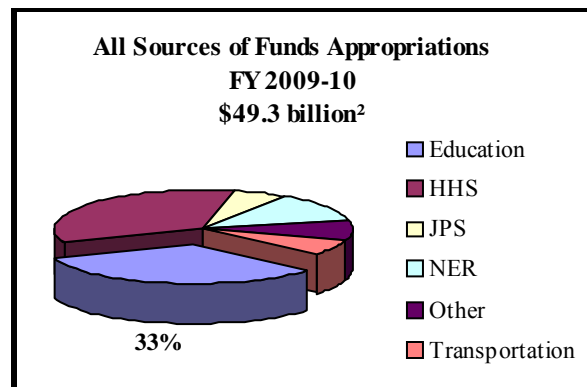
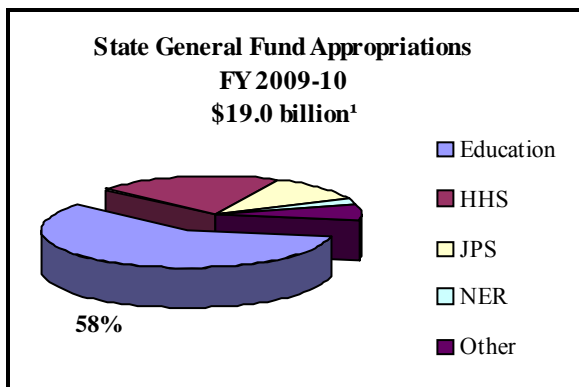
Sen. Tony Foriest, Chair
 Sen. Richard Stevens, Chair
 Sen. Julia Boseman, Vice Chair
 Sen. Joe Sam Queen, Vice Chair
 Sen. Dan Blue
 Sen. Don Davis
 Sen. Fletcher L. Hartsell, Jr.
 Sen. Jean Preston
 Sen. Jerry W. Tillman
 Sen. Don Vaughan

Staff:

Richard Bostic, Team Leader
 Brian Matteson
 Kristopher Nordstrom
 Andrea Poole

Budget Comparison:

The combined budgets under the Education Subcommittees total \$11.2 billion or 59% of net General Fund appropriations for FY 2009-10. Of the total funds appropriated from all sources, a total of \$16.3 billion, or 33%, is dedicated to education. The following charts illustrate the Education Subcommittees’ total as compared to other appropriations subcommittees’ totals:



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Department of Public Instruction

NC Constitution, Art. IX, Sec. 2 Uniform System of Schools
 G.S. 115C-1 General and Uniform System of Schools
 NC Constitution, Art. IX, Sec. 5 Powers and Duties of Board
 G.S. 115C-12 Powers and Duties of the Board Generally
 NC Constitution, Art. III, Section 7 Establishes Superintendent of Public Schools

Agency Description:

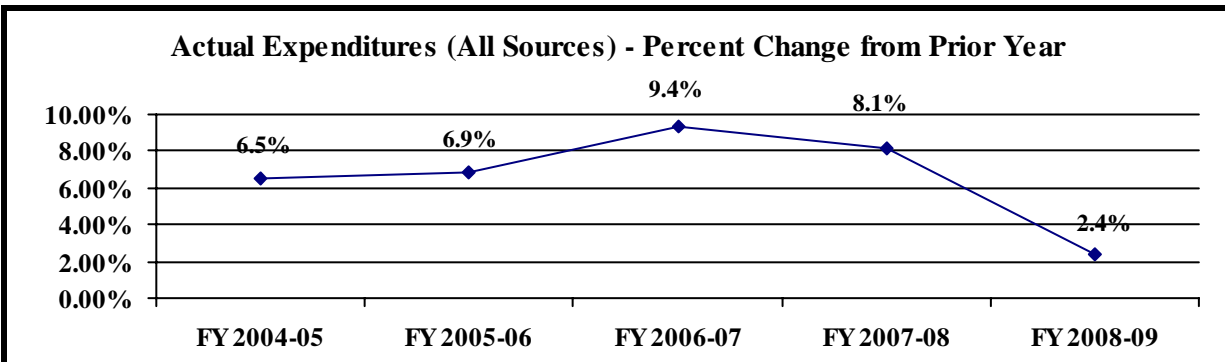
The NC Department of Public Instruction (DPI) is charged with implementing the State’s public school laws and the State Board of Education’s policies and procedures governing prekindergarten through 12th grade public education. The elected State Superintendent of Public Instruction heads the Department and functions under the policy direction of the State Board of Education. DPI provides services to local public school districts in curriculum and instruction, accountability, finance, teacher and administrator preparation, and other support.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	9,651,816,022	9,881,079,576	10,332,767,163	10,202,479,287
Revenue	1,674,680,883	1,739,181,567	2,874,505,923	2,841,646,064
Net Appropriations	\$7,977,135,139	\$8,141,898,009	\$7,458,261,240	\$7,360,833,223
Positions (FTE)	725.20	738.95	792.70	792.70

Budget Overview:

The budget for public education is \$10.3 billion for FY 2009-10 and \$10.2 billion for FY 2010-11. Approximately \$7.5 billion (72%) is appropriated from net General Fund appropriations, the remainder is funded from federal aid (24%), transfers from other State funds (3%), and other miscellaneous revenues (less than 1%). FY 2009-10 net appropriations are \$683.6 million less than FY 2008-09 actual expenditures. Note that position totals above do not include personnel employed by the local school districts.

From FY 2004-05 to FY 2007-08, the average percentage change in actual expenditures was 7.0%, reflecting the trend of significant funding increases for public schools due to a growing student population, expanded funding for preschool education, and salary increases for education personnel.



Department of Public Instruction

Budget Tables

This table summarizes the Department of Public Instruction's General Fund operating budget.

Department of Public Instruction (13510 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
State Public School Fund		
<i>Instructional Support and Related Services</i>		
Classroom Teachers	2,955,374,664	2,984,581,313
Teacher Assistants	503,837,592	505,965,687
Instructional Support Personnel	357,260,788	360,312,505
Personnel Benefits and Longevity	1,091,029,569	1,099,576,491
School Building Administration	262,034,850	265,003,158
Classroom Materials/Instructional Supplies	88,238,683	94,390,396
<i>Categorical Programs</i>		
Academically or Intellectually Gifted	68,152,132	68,797,633
At-Risk Student Services	226,614,401	227,971,150
Children with Special Needs	677,469,320	683,303,024
Disadvantaged Student Supplemental Funding	76,397,619	77,224,910
Low Wealth Supplemental Funding	207,499,970	207,499,970
Small County Supplemental Funding	45,189,185	45,189,185
Transportation	373,445,598	395,320,113
Vocational Education	313,792,632	312,958,741
Other State Public School Fund	317,327,571	107,222,029
Subtotal, State Public School Fund	7,563,664,574	7,435,316,305
Education Management	20,338,841	20,080,041
Office of School Readiness	168,189,127	168,178,526
Reserves and Transfers	66,797,600	66,797,600
Federal Programs	2,345,454,860	2,345,454,860
Other Department of Public Instruction	168,322,161	166,651,955
TOTAL	\$10,332,767,163	\$10,202,479,287
Revenue	(2,874,505,923)	(2,841,646,064)
NET GENERAL FUND APPROPRIATIONS	\$7,458,261,240	\$7,360,833,223

Department of Public Instruction

The following table provides a breakdown of the funds administered by the Department of Public Instruction, including the General Fund operating budget.

Department of Public Instruction	Certified FY 2009-10	Certified FY 2010-11
DPI (13510 – General Fund)	10,332,767,163	10,202,479,287
Special Revenue (23510 – Special Fund)	5,687,321	5,687,321
School Technology (23511 – Special Fund)	56,841,663	38,044,540
DPI IT Projects (23515 – Special Fund)	20,699,160	20,699,160
Public School Building Capital Fund (29110 – Special Fund)	226,148,379	228,896,791
DPI Trust (63501 –Trust Fund)	13,936,782	13,936,782
DPI Trust Medicaid (63503 –Trust Fund)	12,416,452	12,416,452
DPI Trust (63510 –Trust Fund)	10,250,000	10,250,000
Public Instruction Trust (63511 –Trust Fund)	34,986,881	34,986,881
DPI Internal Service (73510 – Special Fund)	141,730,288	62,091,172
TOTAL*	\$10,855,464,089	\$10,629,488,386

* Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

Public School Building Capital Fund (29110)

**Balance: \$238,211,623
(as of June 29, 2009)**

The General Assembly created the Public School Building Capital Fund through the School Facilities Finance Act of 1987 (S.L. 1987-622 and S.L. 1987-813). Responsibility for its administration was transferred from the Office of State Budget and Management to the Department of Public Instruction (DPI) in 2004 (S.L. 2003-284, Section 7.33). Proceeds from the Fund support county capital spending for public school building construction, repair or renovation, land acquisition, and equipment needed to implement a local school technology plan.

The Fund’s two primary revenue sources are the annual proceeds from a 1 percent increase in the State’s Corporate Income Tax rate (approximately 7.25 percent of the total rate) and 40 percent of the annual net revenues from the North Carolina Education Lottery. Revenues from the corporate income tax are distributed to counties solely on the basis of average daily membership (ADM) in their public schools. Lottery revenues are distributed 65 percent based on ADM and 35 percent based on a measure of county local tax effort. For FY 2009-10 and FY 2010-11, S.L. 2009-575, Section 3N mandates that if net Lottery revenues are greater than \$368,070,208, then any excess amounts will be distributed to those counties that do not otherwise qualify for the 35 percent pool of funding on the basis of ADM.

Department of Public Instruction

Literacy Coaches

The General Assembly eliminated funding for all 200 literacy coaches (\$12 million). Initially funded in FY 2006-07, literacy coaches were provided to low-performing middle schools to collaborate with sixth through eighth grade classroom teachers to improve reading, writing, and content learning through the infusion of literacy skills into the daily instructional practices. The General Assembly also eliminated \$1.5 million in funding that had been provided to the North Carolina Teacher Academy for literacy coach training.

DPI Position Reduction

The General Assembly mandated that DPI eliminate at least 64 State-funded positions in FY 2009-10 and an additional 36 positions in FY 2010-11 (at least 11 of which must be State-Funded). This budget cut eliminates \$4.6 million in FY 2009-10 and \$5.4 million in FY 2010-11. In order to meet these budget reduction targets, DPI may eliminate some or all of its 29 State-funded vacant positions, or shift certain positions to other funding sources, where possible. As of July 2009, DPI had 802.75 FTE positions, 475 of which were State-funded.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 7.8 PROTECTION OF THE CLASSROOM WHILE MAXIMIZING FLEXIBILITY

Section 7.8.(a) authorizes the State Board of Education to adopt emergency rules to grant maximum flexibility to LEAs regarding the expenditure of State funds. Section 7.8.(b) encourages LEAs to use budgetary flexibility and federal American Recovery and Reinvestment Act (ARRA) money to protect classroom positions. For FY 2009-10 and FY 2010-11, teacher-to-student ratios are to remain unchanged in grades K-3, but LEAs will have maximum flexibility in their use of allotted teacher positions in grades 4-12. The previous State Board of Education policy for public school class sizes required the following class size ratios in 3 different grade spans:

CLASS SIZE REQUIREMENTS (students per classroom teacher):

Grade	<u>All Classes Within LEA</u>	<u>Individual Class</u>
	<u>Maximum Average</u>	<u>Maximum</u>
K - 3	21	24
4 - 9	26	29
10 - 12	29	32

An LEA is no longer required to maintain the maximum average or individual class size maximums for grades 4-12 and may repurpose State-funded positions in those grades. The 21:1 maximum average class size and 24:1 individual class size maximum requirements are still in place for Grades K-3.

Sections 7.8.(c) and 7.8.(d) outline the requirements for identifying and reporting the allotments reduced pursuant to the LEA Reduction.

Department of Public Instruction

In FY 2008-09, Fund revenues totaled \$283,211,623. Of this amount, approximately \$56.2 million was from corporate income tax revenues, approximately \$162.3 million was from Lottery revenues, and approximately \$11.7 million was from interest earned on the Fund's balances. The revenues from the corporate income tax were lower than in most years due to a decline in corporate income tax collections and the Governor's decision to divert \$5.6 million of this revenue to manage the FY 2008-09 budget shortfall.

Significant Legislative Budget Actions

Textbooks

The General Assembly eliminated \$48 million from the textbook allotment in FY 2009-10 reflecting the reduced expenditures projected from a delay in the adoption of grades 6-12 mathematics textbooks. The General Assembly completely eliminated this allotment on a nonrecurring basis in FY 2010-11 to reflect a complete moratorium on new textbook adoptions (a reduction of \$115 million) for one year.

Central Office

Recurring funding for the central office allotment was reduced by \$14.6 million. For local education agencies (LEAs), the size of the reduction varied based on the size of the LEA. LEAs with fewer than 8,000 students are to receive a 7.5 percent reduction from the continuation budget amount. LEAs with more than 8,000 students and less than 30,000 students are to receive a 14 percent reduction from the continuation budget amount. LEAs with more than 30,000 students are to receive an 18 percent reduction from the continuation budget amount.

LEA Adjustment

The LEA adjustment requires the LEAs to identify and reduce certain allotments on a recurring basis by \$225 million in FY 2009-10 and by \$304 million in FY 2010-11. The size of each LEA's adjustment is determined based on the LEA's average daily membership (ADM). In meeting this budget reductions, LEAs have maximum flexibility, but must maintain class size requirements in grades K-3.
(S.L. 2009-451, Section 7.8)

More at Four

Recurring funding for More at Four was decreased by \$5 million, or approximately 3 percent of total funding. The cut reduced the number of available slots for More at Four students, but maintained the average reimbursement rate of \$5,000 per slot. A related special provision included More at Four amongst a list of programs to be examined for consolidation in one entity solely responsible for early childhood programs, beginning in FY 2010-11.
(S.L. 2009-451, Section 10.7A)

Improving Student Accountability

The Improving Student Accountability allotment, which had previously supported activities designed to improve the performance of those students scoring at Level I or II on certain State tests, was eliminated. The continuation budget amount for this allotment was \$38 million.

Department of Public Instruction

Section 7.10 LEARN AND EARN ONLINE

Section 7.10 amends the reimbursement process for courses offered through NC Community Colleges System (NCCCS) to conform with S.L. 2009-451, Sec. 8.6. The provision also authorizes the enrollment of high school students attending a nonpublic school in Learn and Earn Online courses on a space-available basis for FY 2009-10 and FY 2010-11 only.

Section 7.22 NO PAY DECREASE FOR TEACHERS WHO BECOME ASSISTANT PRINCIPALS

Section 7.22 amends G.S. 115C-285.(a) to create a new section establishing that a teacher who becomes an assistant principal without a break in service shall be paid at least as much as he or she would earn as a teacher, effective for all newly employed assistant principals after July 1, 2009.

Section 7.30 NBPTS APPLICATION COSTS

Effective July 1, 2010, Section 7.30 amends G.S. 115C-296.2, changing the funding process for North Carolina public school teachers applying for National Board for Professional Teaching Standards (NBPTS) certification. Currently, the State pays for teachers to pursue NBPTS certification. Starting with FY 2010-11, the State will loan teachers the \$2,500 application fee, which the teacher will be responsible for paying back over the next 3 years.

Select Programs and Other Budgetary Information

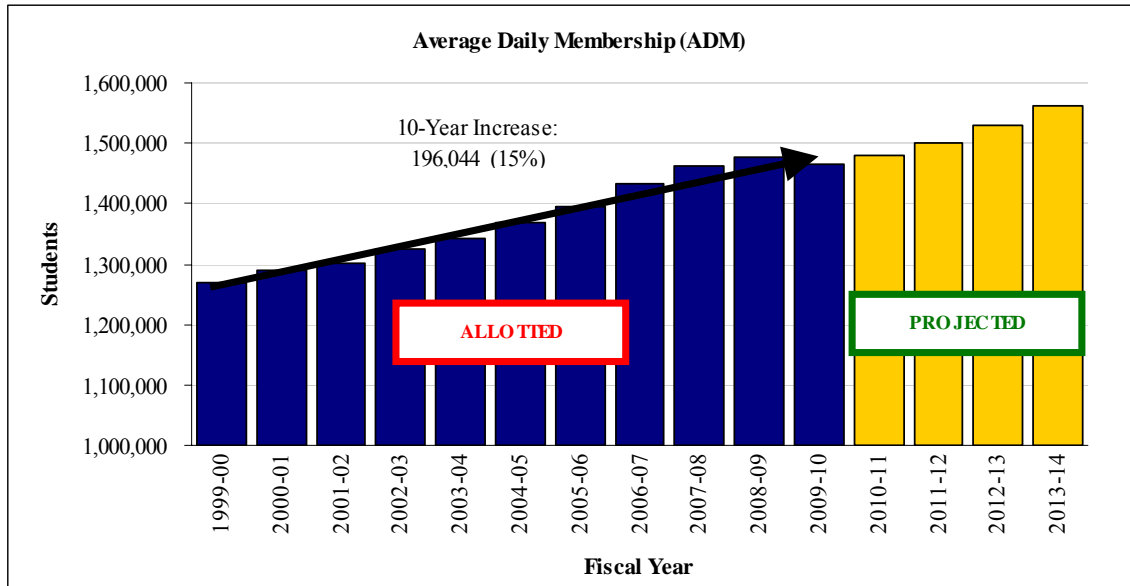
Average Daily Membership (ADM)

North Carolina has experienced significant growth in the number of public school students. DPI measures this concept using “average daily membership,” or ADM. DPI calculates ADM as the sum of the number of days in membership for all students in a given month divided by the number of school days in the month. This measurement is taken at the end of the first and second month of school, and the higher of the two amounts is compared against the projected ADM for the school. The greater of these two figures is a school’s “allotted ADM” and is used in DPI funding formulas to determine LEA funding levels.

From FY 1999-00 to FY 2009-10 the State’s allotted ADM increased 15.5 percent – an average of 1.4 percent per year. ADM growth has contributed to increased public education costs, as the growing student population requires additional teachers, instructional support, and other costs that are tied to ADM.

The FY 2009-10 total allotted ADM of 1,464,914 students is 11,652 students (0.8 percent) less than the FY 2008-09 level. This marks the first time since FY 1989-90 that North Carolina’s schools experienced a decrease in ADM. The net decrease is attributable to a policy change (S.L. 2007-173), which, beginning with the 2009-10 school year, mandates that students may not be enrolled in kindergarten unless they are five years of age on or before August 31st. Previously, the cut-off date for kindergarten enrollment had been October 16th. This new law caused a one-year decrease in kindergarten ADM of approximately 10,000 students.

Department of Public Instruction



Education Stabilization Fund

The American Recovery and Reinvestment Act (ARRA) provided various sources of funding for North Carolina’s public schools. The largest source created specifically for education, and the source over which the North Carolina General Assembly had greatest discretion, was the Education Stabilization Fund (ESF).

North Carolina’s ESF Allocation

North Carolina’s ESF allocation totaled over \$1.16 billion. North Carolina received 66 percent of this amount, or approximately \$778 million, on May 22, 2009. The remaining 33 percent, or \$383 million, is expected to be received before the end of FY 2009-10.

In FY 2008-09, the Governor used \$127 million of the ESF to manage the State’s budget shortfall. Of this amount, community colleges received \$42 million, and universities received \$85 million. No ESF money was provided to public schools in FY 2008-09. As a result of this action, the General Assembly had just over \$1 billion of ESF money that could be used over the 2009-11 biennium.

Per the flexibility afforded by the federal guidelines¹, the General Assembly appropriated the ESF money equally between FY 2009-10 and FY 2010-11. That is, the General Assembly appropriated \$517 million of ESF money in each year of the 2009-11 biennium.

¹ Additional information about the Education Stabilization Fund, including federal guidance and fact sheets can be found on the US Department of Education’s website here:

<http://www.ed.gov/programs/statestabilization/applicant.html>

Department of Public Instruction

ESF Availability: FY 2009-11

	Education Stabilization Fund
Initial Distribution	778,494,148
Secondary Distribution	<u>383,437,416</u>
Total ESF Availability	1,161,931,564
Governor's FY 2008-09 ESF Expenditures	<u>126,962,972</u>
Net Availability FY 2009-11 Biennium	1,034,968,592
Annual Availability FY 2009-11 Biennium	\$517,484,296

Allocation of the ESF Between Public Schools and Higher Education

The allocation of the ESF between public schools and higher education (UNC and NCCCS) is prescribed by federal guidelines. The final allocation was determined by comparing funding levels provided in FY 2008-09 to FY 2007-08 and FY 2008-09. Federal guidelines and FY 2008-09 budget decisions resulted in the following allocations:

ESF Allocations: FY 2009-11

	FY 2009-10	FY 2010-11
Public Schools	379,668,352	373,281,648
UNC	137,815,944	144,202,648
TOTAL	\$517,484,296	\$517,484,296

Using the ESF to Offset Cuts

Because the federal intent of the ESF was to minimize and avoid reductions in education and other essential public services, the General Assembly used ESF monies to offset certain cuts to education.

For Public Schools, the General Assembly directed the use of ESF to offset cuts to the Noninstructional Support Personnel allotment. That is, there are nonrecurring cuts to the Noninstructional Support Personnel allotment of \$379.7 million in FY 2009-10 and \$373.3 million in FY 2010-11 – dollar totals matching the public schools’ allocation of ESF monies.

LEA Use of ESF Monies

Federal guidance provides LEAs with extreme flexibility in deciding how and when LEAs spend ESF monies. LEAs are allowed to spend ESF monies on any activities authorized under the federal Elementary and Secondary Education Act, the Individual with Disabilities Education Act, the Adult Education and Family Literacy Act, or the Perkins Act. Prohibited expenditures include athletic stadiums, building maintenance costs, rainy day funds, private school vouchers, vehicles, and construction or renovation of administration buildings. LEAs must obligate ESF monies by September 30, 2011.

Department of Public Instruction

Additional Legislation

S.L. 2009-213 (HB 88) HEALTHY YOUTH ACT OF 2009

This revision of G.S. 115C-81(e1) requires all school systems to offer a reproductive health and safety education program to students in grades seven, eight, and nine that uses age-appropriate and scientifically-based materials. This instruction must include information about the prevention and transmission of sexually transmitted diseases (STDs), the effectiveness and safety of contraceptives for pregnancy and STD prevention, the effects of contracting the Human Papilloma Virus, and the awareness and risk reduction of sexual assault and abuse. The program, however, will remain part of a larger reproductive health education curriculum, retaining the abstinence-until-marriage focus that is currently offered by North Carolina schools. This new requirement will be applied at the beginning of the 2010-2011 school year.

S.L. 2009-212 (SB 526) SCHOOL VIOLENCE PREVENTION ACT

This act adds Article 29B to Chapter Subchapter VI of Chapter 115C of the General Statutes. This new article defines “bullying or harassing behavior,” and requires each LEA to establish a policy prohibiting bullying or harassing behavior by December 1, 2009.

Community College System

G.S. 115D-1 Statement of Purpose

G.S. 115D-2.1 State Board of Community Colleges

G.S. 115D-3 Community Colleges System Office

Agency Description:

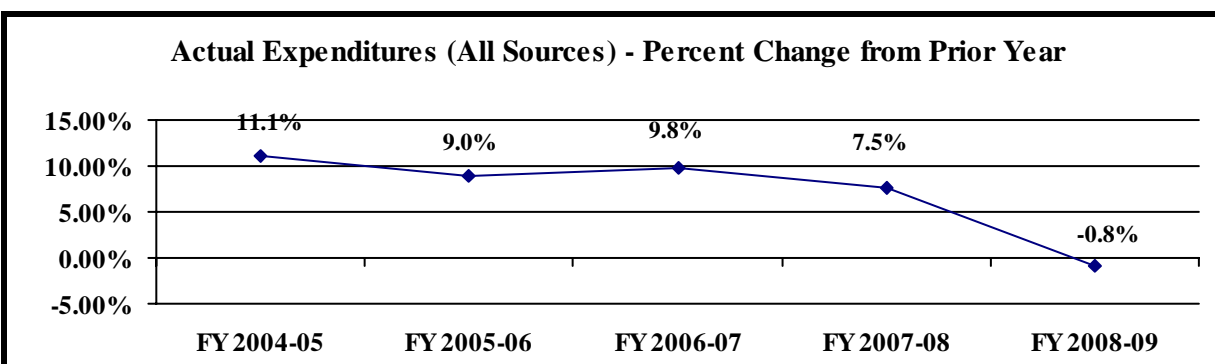
The NC Community College System consists of 58 institutions that provide vocational and technical, college-transfer, and basic skills/adult literacy courses. The State Board of Community Colleges is authorized to adopt all policies, regulations, and standards for the operation of the System. The Community Colleges System Office, headed by the System President, provides State-level administration and leadership of the System under the direction of the State Board.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	1,265,196,631	1,255,522,929	1,291,288,338	1,315,582,138
Revenue	284,326,249	331,120,478	291,455,216	303,114,360
Net Appropriations	\$980,870,382	\$924,402,451	\$999,833,122	\$1,012,467,778
Positions (FTE)	234.00	236.00	220.00	220.00

Budget Overview:

The FY 2009-11 budget for the Community College System is \$1.3 billion in each year. Approximately \$999.8 million (77%) is appropriated from net General Fund appropriations. Tuition and registration fees provide an additional \$238.1 million, or 18%, of the System budget. The remaining 4% is funded primarily with federal funds and a \$14 million transfer from the Escheat Fund. The FY 2009-10 budget is \$35.8 million more than the FY 2008-09 actual expenditures, a 2.8% increase. Additionally, revenues were higher than anticipated due to higher tuition and fees and \$42.2 million in American Recovery and Reinvestment Act funds. Note that position totals above only include Community Colleges System Office personnel and not personnel employed at the local community colleges.

Over the last five years, the average change in actual expenditures was 7.3%. Increases have been driven primarily by enrollment growth and salary increases for faculty and professional staff. The decrease in FY 2008-09 actual expenditures was due to budget reductions implemented by the Governor to address a revenue shortfall.



Community College System

Budget Tables

The following table provides a breakdown of the Community College System’s total General Fund operating budget by program.

Community College System (16800 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Community Colleges – Operating State Aid	1,246,057,491	1,303,001,006
Community College System Office	29,563,541	29,563,541
Financial Aid	13,981,202	13,981,202
Other Transfers and Reserves	1,686,104	(30,963,611)
TOTAL	\$1,291,288,338	\$1,315,582,138
Revenue	(291,455,216)	(303,114,360)
NET GENERAL FUND APPROPRIATIONS	\$999,833,122	\$1,012,467,778

Note: The Community College System budget will also include funding that, by law, does not revert at the end of the fiscal year. Examples of included programs and the relevant General Statute citation include

- Customized Industry Training – \$7.3 million, G.S. 115D-5.1(d),
- NC Research Campus – \$4.4 million, Section 8.1.2(a) of SL 2008-107, and
- Equipment Reserve – \$2 million, G.S. 115D-31(d)

The FY 2009-10 certified budget does not yet include this \$13.7 million, which will be recorded as revenue and thereby increase total requirements.

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Enrollment Growth

Community colleges' operating budgets are primarily determined by their budgeted full-time equivalents or budgeted FTE¹. Unlike the University system which projects enrollment, community college budgeted FTE is based on actual figures. Projecting community college enrollment is extremely difficult and for many years, projected enrollments were significantly

¹ NCAC 1A.0101(8).

Community College System

higher than the actual enrollment. The General Assembly continued to tweak the enrollment calculation until 2000, when a modified budget stability formula was put into place.

To determine enrollment figures, this formula uses the higher of:

- a college’s prior year actual FTE enrollment; or
- the average of the three previous years’ FTE enrollment.

This formula provides funding when enrollments are up and allows colleges time to adjust when enrollments fall.

Enrollment growth during the 2008-09 school year was extraordinary – there was an increase of 15,269 FTE (or 7.6 percent). The highest growth occurred in curriculum programs (programs leading to certificates, diplomas, or associate degrees). Additionally, for the first time, curriculum programs had more FTE in the Spring than in the Fall.

The table below shows the growth in FTE for each area of community college education, the cost per FTE, and the appropriation required.

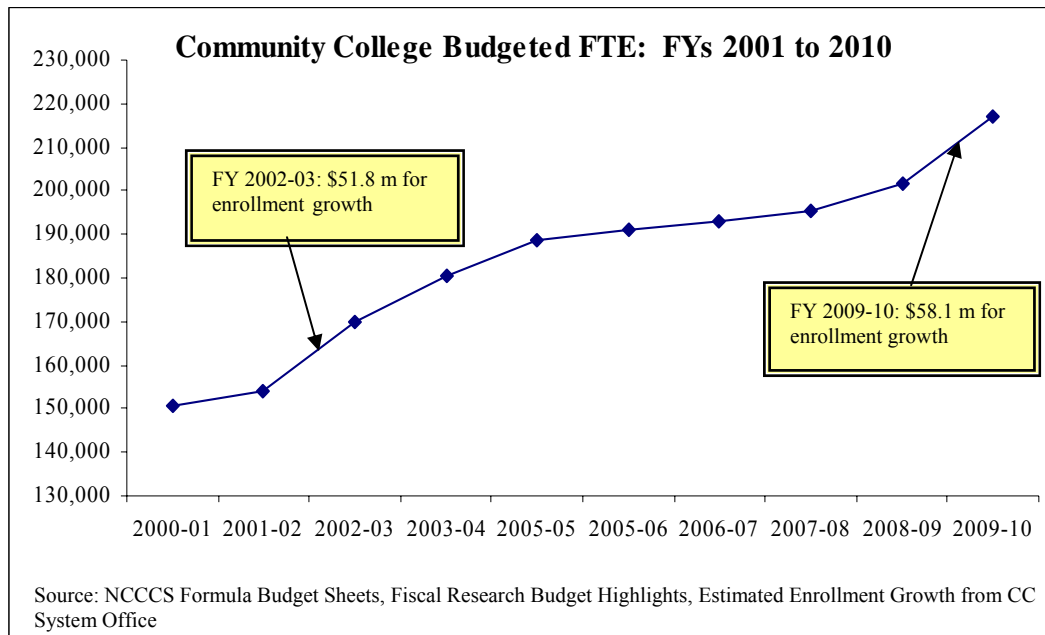
	Allotted FTE 2008-09	Estimated FTE 2009-10*	Growth	% Increase	Cost Per FTE	Appropriation Required
Curriculum	157,135	170,245	13,110	8.34%	\$3,756	\$49,243,291
Continuing Education	25,138	26,821	1,683	6.70%	\$3,872	\$6,516,372
Basic Skills	19,352	19,818	466	2.41%	\$4,955	\$2,309,057
TOTAL	201,625	216,884	15,259	7.57%		\$58,068,720

*Estimated FTE is the higher of the current year or the average of the three previous years.

Overall, FTE enrollment has increased 44 percent over the last decade, as is shown by the following graph. The graph shows an important pattern in community college enrollment growth. Community college enrollment growth is counter-cyclical and typically follows changes in the economy. For example, during recessions, community college enrollment generally increases. This can be seen both currently and in the 2001-2003 period, when enrollment increased dramatically due to an influx of unemployed workers seeking retraining, as manufacturing jobs were lost in the State.

These increases in enrollment growth require increasing appropriations. In FY 2002-03, enrollment growth required almost \$52 million in additional appropriations. For Fy 2009-10, the unprecedented enrollment growth required \$58.1 million in additional appropriations. Because these increased requirements usually coincide with recessions, they typically occur when less State funds are available, causing the General Assembly to weigh the merits and cost of continued open enrollment against other core government services.

Community College System



JobsNOW

In September 2009, in response to North Carolina’s increasing unemployment rate and the corresponding increase in community college enrollment, Governor Perdue created the JobsNow initiative. This joint initiative between the Community College System and the Department of Commerce is designed to train North Carolinians in the jobs skills needed for one of 12 occupational areas within 6 months.

The Department of Commerce set aside approximately \$13.4 million in federal American Recovery and Reinvestment Act (ARRA) funds to support this initiative. These grant funds will be used to provide an infusion of instructional resources to support training activities in occupational areas that could be completed in less than 6 months. To date, the 12 approved occupational areas include:

- Nursing Assistant
- Autobody Repair
- Masonry/Tile Cutting
- Manufacturing/Materials
- Plumbing
- HVAC/Industrial Maintenance
- Office/Clerical Support
- Carpentry
- Phlebotomy
- Welding
- Hospital Billing/Coding
- Food Service

To meet local labor market demands, colleges will have the flexibility to identify additional short-term occupational training options. Courses may be offered as a single course or may be bundled as a series of courses that would lead to a job-skills credential and the Career Readiness Certification.

Of the approximately \$13.4 million allocated to support the JobsNOW initiative, approximately \$13 million was awarded as of September 2009. Allocations ranged from

Community College System

\$100,000 to \$350,000 per campus, based on the actual number of unemployed people in the college's service area and the unemployment rate in the college's service area as of March 2009.

Additional Legislation

S.L. 2009-46 (HB 65) STUDENTS UNDER 16 MAY ATTEND COMMUNITY COLLEGE

This act amends G.S. 115D-1.1 by reenacting Section 4 of SL 2001-312, as amended, to reenact, effective March 1, 2009, the statute authorizing intellectually gifted students less than 16 years of age to attend community college. Under previous law, the authorization expired September 1, 2008.

S.L. 2009-119 (HB 391) COMMUNITY COLLEGE MAY OFFER SAFETY DRIVING COURSES

This act amends G.S. 115D-20(4) so that high school students may take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.

University of North Carolina System

North Carolina Constitution, Art. IX, Sec. 8 Higher education
 G.S. 116 - 4 Constituent Institutions
 G.S. 116 - 11 Powers and Duties of UNC Board of Governors

Agency Description:

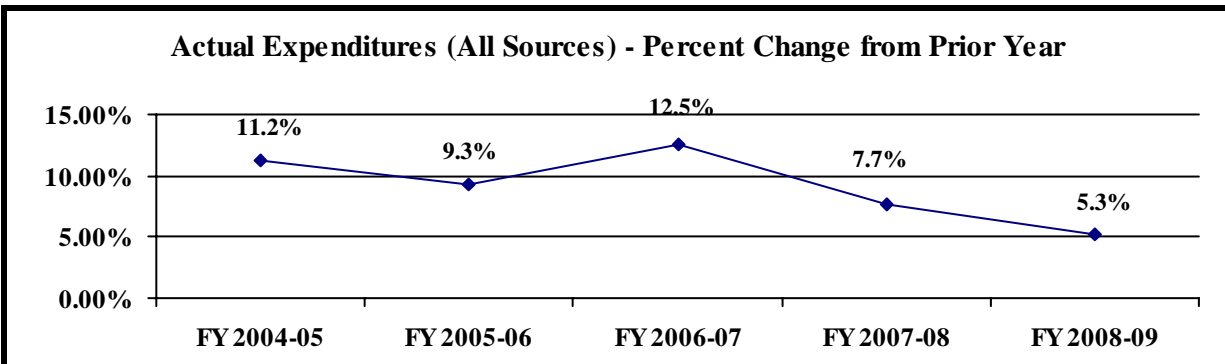
The University of North Carolina system consists of sixteen universities, one residential high school, a statewide agricultural extension service, a statewide system of medical residency training, a major hospital/health care system, and several affiliated institutions. The University is governed by a 32-member Board of Governors elected by the General Assembly. Administrative matters of the system are handled by a President appointed by the Board.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	3,796,844,851	3,997,073,254	4,006,357,085	3,972,362,673
Revenue	1,183,416,499	1,423,194,829	1,299,522,750	1,316,000,029
Net Appropriations	\$2,613,428,352	\$2,573,878,425	\$2,706,834,335	\$2,656,362,644
Positions (FTE)	35,800.91	36,806.81	36,743.63	36,860.43

Budget Overview:

The budget for the University of North Carolina system is \$4 billion for FY 2009-10 and \$3.97 billion for FY 2010-11. Approximately \$2.7 billion (67.6%) of the budget is from net General Fund appropriations. The remainder of the budget is funded from tuition (21.5%), transfers from the Escheat Fund for financial aid (4.1%), and miscellaneous revenues (6.8%). The decline in these revenues from FY 2008-09 to FY 2009-10 (see chart above) is due to the budgeting of \$100 million in carryforward funds in FY 2008-09. The FY 2009-10 budget is a .2% increase over the FY 2008-09 actual expenditures. The position totals in the table above include personnel funded by the General Fund and tuition receipts. The totals do not include positions funded by Institutional Funds for dining, housing, and other campus services and exclude UNC Hospital personnel funded by patient receipts.

Over the last five years, the average percentage change in actual expenditures was 8.2%. This increase can be attributed to enrollment growth, operating costs of new buildings, increased financial aid, and various new campus programs and initiatives.



University of North Carolina System

Budget Tables

The following table provides a breakdown of the UNC system’s total operating budget by campus and central office administrative functions.

UNC System (16000 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Appalachian State University	212,489,121	212,489,121
East Carolina University – Academic Affairs	347,302,067	347,302,067
East Carolina University – Health Affairs	56,938,831	56,938,831
Elizabeth City State University	47,918,094	47,918,135
Fayetteville State University	76,358,268	76,358,268
NC A&T University	155,532,005	155,532,005
North Carolina Central University	128,684,977	128,684,977
North Carolina State University	638,593,093	638,634,778
NCSU – Agricultural Extension Service	60,816,531	60,816,531
NCSU – Agricultural Research Service	70,834,211	70,834,211
UNC-Asheville	53,587,962	53,582,962
UNC-Chapel Hill Academic Affairs	513,461,251	513,461,251
UNC-Chapel Hill Health Affairs	272,769,568	272,769,568
UNC-CH Area Health Education Centers (AHEC)	52,109,209	52,109,208
UNC-Charlotte	293,134,798	293,134,798
UNC-Greensboro	239,396,008	239,396,896
UNC-Pembroke	77,822,881	77,828,033
UNC-School of the Arts	37,586,659	37,587,027
UNC-Wilmington	159,056,759	159,057,000
Western Carolina University	115,610,242	115,674,424
Winston-Salem State University	91,904,246	91,904,246
North Carolina School of Science and Math	19,554,333	19,553,653
UNC – General Administration	51,512,471	51,514,132
UNC – Institutional Programs (Reserves)	(144,494,505)	(112,537,964)
UNC – Related Education Programs (Financial Aid)	232,621,609	166,528,118
Aid to Private College Students	101,244,515	101,278,515
UNC Hospitals	44,011,882	44,011,882
TOTAL	\$4,006,357,085	\$3,972,362,673
Revenue		
Tuition Only	(861,406,390)	(914,965,582)
Escheat Fund	(162,287,040)	(124,818,216)
Misc. Revenue	(275,829,320)	(276,026,867)
Revenue Subtotal	(1,299,522,750)	(1,315,810,665)
NET GENERAL FUND APPROPRIATIONS	\$2,706,834,335	\$2,656,552,008

University of North Carolina System

Other Funds

The UNC Hospitals Operating Fund contains the budgeted expenditures and revenues for a 739-bed entity that includes North Carolina Memorial Hospital, North Carolina Children's Hospital, North Carolina Neurosciences Hospital, and North Carolina Women's Hospital.

UNC Hospitals Operating Fund (56096)

**Balance: \$362,498,493
(as of June 30, 2009)**

UNC Hospitals is governed by the board of directors of the University of North Carolina Health Care System, an affiliate of the University of North Carolina system. The UNC Hospitals Operating Fund is an enterprise fund supported primarily by patient revenues (94.4 percent of \$890 million in revenues in FY 2008-09).

UNC Hospitals' workload in FY 2008-09 included 64,480 emergency room visits, 835,666 clinic visits, 25,937 surgical cases, and 3,797 births (UNC Hospitals Budget Department). UNC Hospitals had an authorized headcount of 6,527 positions as of June 30, 2009. UNC Hospitals is part of the broader UNC Health Care System authorized in G.S. 116-37 that includes a network of community medical practices, home health agencies, and an air and ground patient transportation system.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

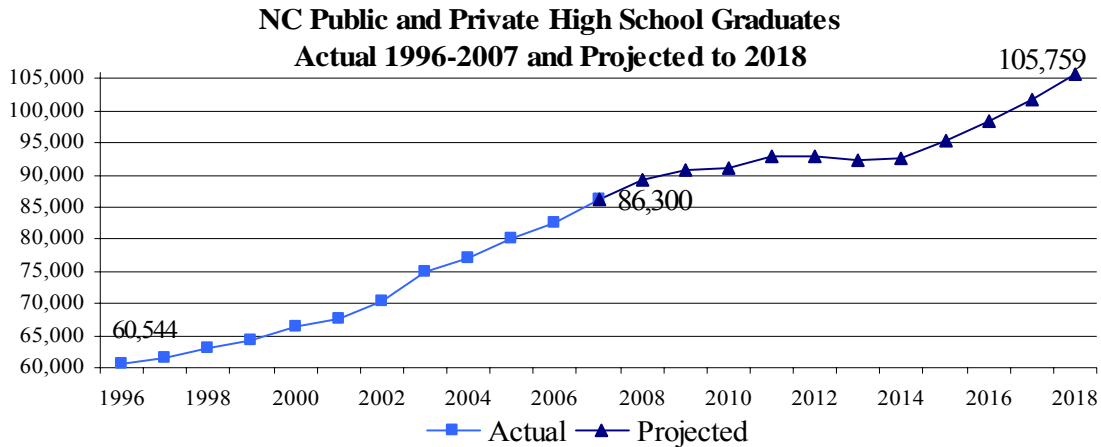
See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

College Enrollment

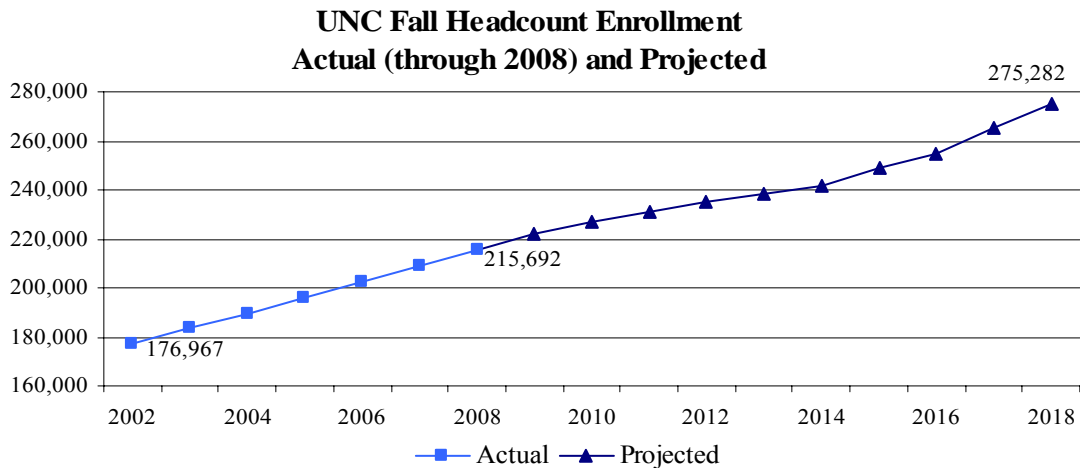
Enrollment growth is the biggest budget driver for the UNC system. Population growth, increased numbers of community college transfer students, increased college access by underrepresented groups, and increased interest in life-long learning/obtainment of advanced skills place tremendous pressure on the State to increase access to its universities. One example of increased demand is the growth in the number of North Carolina high school students. Based on current graduation rates, the number of public and private high school graduates will increase from 89,176 in 2008 to 105,759 in 2018 (see the following graph). The UNC system traditionally enrolls 31 percent to 32 percent of high school graduates and will be expected to continue accepting its share of the additional students each year.

University of North Carolina System



Source: UNC – General Administration, October 2009

The Academic Planning Section of UNC General Administration (UNC GA) makes annual enrollment projections for the UNC Board of Governors. UNC GA provided a preliminary projection of headcount enrollment through 2018 based on an average of three enrollment projection models. The chart below shows UNC’s combined on-campus and online headcount enrollment growing from an actual of 215,692 in 2008 to a projected 275,282 or 27.6 percent in 2018.



Source: UNC – General Administration, October 2009

The fiscal impact of adding 59,590 more students to the UNC system by 2018 can be estimated by using the annual State subsidy per student. In 2008, the finance staff at UNC General Administration calculated the average State appropriation per UNC resident student at \$13,192. Using that average subsidy, the operating budget for the UNC system would have to grow by \$786 million by 2018 to handle the influx of students. This enrollment growth will also create tremendous capital needs for the UNC system.

University of North Carolina System

Fall 2008 Headcount UNC System Enrollment Profile

	Undergraduates 170,472		Graduates 45,220	
Female	96,158	56.4%	27,737	61.3%
Male	74,314	43.6%	17,483	38.7%
Resident	151,242	88.7%	35,183	77.8%
Nonresident	19,230	11.3%	10,037	22.2%
Distance Ed	11,178	6.6%	11,088	24.5%
Regular Term	159,294	93.4%	34,132	75.5%

Total UNC System Revenues

The General Fund operating budget does not include federal research grants, gifts, investment income, and auxiliary accounts for student dining, housing, and other fee-based activities.

The chart below shows all revenue sources for the UNC system in FY 2007-08 as reported to the Integrated Postsecondary Education Data System (IPEDS).

All Revenue Sources	FY 2007-08 Actual
State appropriations (excluding capital)	2,892,028,155
Auxiliary enterprises (dining, housing, etc.)	1,149,118,767
Tuition and fees	1,013,942,506
Federal appropriations and contracts	943,211,988
Hospital sales and services	797,950,877
Gifts, including contributions from affiliated organizations	220,944,291
Local/private operating grants and contracts	200,915,951
Investment income	166,260,688
Other sources	170,032,586
Total Revenue	\$7,554,405,809

Source: Integrated Postsecondary Education Data System (IPEDS) Finance Survey

Additional Legislation

S.L. 2009-407 (SB 195) PLAN FOR INCREASED NUMBER OF OLDER ADULTS

This act directs the University of North Carolina Institute of Aging to assist the State with preparations for an aging population. The Institute's work will include organizing and facilitating meetings of aging experts and helping establish a website.

S.L. 2009-540 (SB 786) UNIVERSITY NONAPPROPRIATED CAPITAL PROJECTS

See Capital Section of this report for summary of this bill.

Public Education

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$8,245,341,827		\$8,358,798,223	
Legislative Changes				
A. Technical Adjustments				
1 Adjust Continuation Budget	(\$73,903,050)	R	(\$118,955,313)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
2 Mandatory Continuation Budget Increases	\$27,269,605	R	\$61,106,959	R
Restores mandatory increases for certain line items associated with growing student headcount.				
3 Education Stabilization Fund - Noninstructional Support Personnel Reduction	(\$379,668,352)	NR	(\$373,281,648)	NR
Temporarily reduces the Noninstructional Support Personnel allotment on a nonrecurring basis for both years of the biennium. This reduction will be offset by the appropriation of the federal Education Stabilization Fund (ESF). The ESF will be distributed via the State's primary funding formulae, as defined by Section 7.34 of this bill. (S.L. 2009-451, Sec. 7.34)				
4 Children with Disabilities Head-Count Adjustment	(\$15,987,833)	R	(\$15,987,833)	R
This is a technical adjustment to the Children With Disabilities allotment. The continuation budget includes anticipated growth based on the projected head-count of children with disabilities. This adjustment revises budgeted funding for both preschool and school-age children with special needs to reflect actual April 1, 2009 headcount. It does not reduce funding per student.				
5 Learn and Earn Online Technical Adjustment	\$3,523,248	R	\$3,523,248	R
Restores most of the \$5,000,000 continuation budget increase for this item that was removed in the Adjust Continuation Budget line item.				
6 Civil Penalties Receipts	(\$6,324,790)	R	(\$6,324,790)	R
Makes recurring adjustment to budgeted civil penalty revenues to account for actual FY 2007-08 receipts. Collected civil penalties revenues are required to be deposited in the State Public School Fund (SPSF) for allotment to LEAs on a per-ADM basis. Total realized FY 2007-08 receipts were \$120.3 million. (S.L. 2009-451, Sec. 5.1)				

FY 09-10**FY 10-11****7 Financing School Bus Replacement**

(\$6,347,581) R (\$10,334,288) R

Adjusts the schedule for school bus financing from three to four years on a recurring basis. (S.L. 2009-451, Sec. 7.5)

8 Textbook Freight

(\$217,837) R (\$217,837) R

Eliminates funding for textbook freight. These costs will be covered through receipts from books purchased by the LEAs.

B. State Public School Fund**9 Information Highway**

(\$1,200,000) R (\$1,200,000) R

Eliminates funding for a program that previously paid for LEAs to access distance learning. Funds are no longer needed as the School Connectivity Initiative (SCI) has replaced this program and provides increased service to the LEAs.

10 School Technology Fund

(\$9,613,872) NR (\$9,000,000) NR

Reduces by 90% on a nonrecurring basis the General Fund support for the School Technology Fund, which provides support to LEAs on a per-ADM basis for the development and implementation of LEA technology plans. Also, \$18 million for this Fund is annually provided from the Civil Penalty and Forfeiture Fund. In addition, Section 5.1 of the budget transfers approximately \$18 million from a UNC escrow account to this Fund on a one-time basis and Section 7.37 of the budget transfers a cash balance of \$613,872 from the State Literary Fund to this fund on a one-time basis.

11 Textbooks

(\$47,977,278) NR (\$115,410,044) NR

Adjusts allotment in FY 2009-10 to reflect the reduced expenditures projected from a delay in the adoption of grades 6-12 mathematics textbooks. The additional reduction in FY 2010-11 reflects a complete moratorium on new textbook adoptions.

12 Textbook Balance Restoration

\$50,000,000 NR

Restores LEA textbook account balances that were temporarily redirected in FY 2008-09 to address budgetary shortfall issues.

13 NC Wise Owl

(\$500,000) R (\$500,000) R

Reduces funding by 38% for this online reference resource for teachers and students. This portion of the reference service is being provided at no cost by SAS Institute.

14 Central Office Administration

(\$14,613,199) R (\$14,613,199) R

Reduces the dollar allotment to LEAs for the salaries and benefits of central office staff. This staff includes, but is not limited to, superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors. LEAs with fewer than 8,000 ADM are to receive a 7.5% reduction from the continuation budget amount. LEAs with more than 8,000 ADM and less than 30,000 ADM are to receive a 14% reduction from the continuation budget amount. LEAs with more than 30,000 ADM are to receive an 18% reduction from the continuation budget amount.

15 More at Four

(\$5,000,000) R (\$5,000,000) R

Reduces General Fund support for More at Four by 5.8%. The Office of School Readiness shall use the average FY 2008-09 average reimbursement rate of \$5,000 per slot in allocating funding. The FY 2009-10 continuation budget includes \$86 million in General Fund and \$84.6 million in Lottery support for this program. A related provision includes More at Four amongst a list of programs to be examined for consolidation in one entity solely responsible for early childhood programs, beginning in FY 2010-11. (S.L. 2009-451, Sec. 10.7A)

16 LEA Adjustment

(\$225,000,000) R (\$304,774,366) R

The State Board of Education shall distribute this adjustment on the basis of ADM. A related provision, Section 7.8, will provide additional flexibility to the LEAs to manage this reduction. (S.L. 2009-451, Sec. 7.8)

17 Testing

(\$3,020,122) R

Eliminates funding for most State-administered tests not currently required by Federal law or as a condition of Federal grants. These tests include: Chemistry EOC, Physics EOC, Reading Competency, Mathematics Competency, Grade 3 Math and Reading Pretests, and Computer Skills. The State Board of Education may use the FY 2009-10 savings from eliminating these tests to support the development and implementation of a new Standard Course of Study for all content areas and grade levels. This activity will also support the State Board of Education's efforts to research, design, and implement a new comprehensive State testing system that will include formative, benchmark/interim, and summative tests. The ultimate goal of this initiative is to develop a new K-8 and K-12 accountability model. (S.B. 947; S.L. 2009-451, Sec. 7.18; S.L. 2009-451, Sec. 7.20)

18 Focused Education Reform

Provides a 10% reduction to funds appropriated to DPI in support of the pilot program known as The Collaborative Project. DPI funding for this program is currently \$4,833,728. The FY 2010-11 funding for the Project is provided on a nonrecurring basis to reflect the final year of funding needed for this 3-year pilot program. The Public School Forum receives an additional \$2,342,705 to support and administer the pilot.

(\$483,373) R (\$4,833,728) R
 \$4,350,355 NR

19 Staff Development

Reduces funding by 100%, on a nonrecurring basis, for the staff development allotment.

(\$12,557,920) NR (\$12,619,829) NR

20 Improving Student Accountability

Eliminates funding for this allotment that supports activities designed to improve the performance of those students scoring at Level I or II on certain State tests. The Disadvantaged Student Supplemental Funding and At-Risk Student Services allotments support similar types of activities.

(\$38,339,798) R (\$38,339,798) R

21 Critical Foreign Language Pilot

Eliminates recurring funding for this two-year old pilot program. The nonrecurring funding provided in FY 2009-10 will enable DPI to complete the ongoing development of online Russian and Japanese language courses.

(\$500,000) R (\$500,000) R
 \$100,000 NR

22 Literacy Coaches

Eliminates funding for all 200 Literacy Coaches.

(\$12,034,400) R (\$12,034,400) R

23 Noninstructional Support Personnel

Reduces funding for this allotment by 2.5%. It supports clerical assistants, custodians, and substitute teachers, amongst other items.

(\$10,000,000) R (\$10,000,000) R

24 Math and Science Supplement Pilot

Eliminates funding for a pilot program that provides \$15,000 bonuses to certain mathematics and science teachers in Bertie, Columbus, and Rockingham counties.

(\$515,115) R (\$515,115) R

25 Mentoring

Reduces funding for teacher mentoring by 17.9% from the continuation budget amount of \$11,164,616.

(\$2,000,000) R (\$2,000,000) R

26 Limited English Proficiency

Reduces funding for the program by 2.5% in FY 2009-10 and 2.3% in FY 2010-11.

(\$2,000,000) R (\$2,000,000) R

FY 09-10

FY 10-11

27 Small County Supplemental Funding

\$0 R \$0 R

Reduced program funding by 4.4% from the continuation budget amount of \$45,189,185. (S.L. 2009-451, Sec. 7.4)

(S.L. 2009-575, Sec. 3M.(b) eliminated this item.)

28 Transportation

(\$15,000,000) R (\$15,000,000) R

Reduces funding for the allotment, which supports the salaries of transportation personnel as well as the maintenance of yellow buses, by approximately 3.9%.

29 Small Specialty High Schools

(\$3,222,496) R (\$3,222,496) R

Eliminates funding for one counselor and one clerical position at each of the 32 high schools. Funding is retained for an additional clerical position as well as a principal position.

30 Child and Family Support Teams

(\$1,252,183) R (\$1,252,183) R

Reduces funding for this program by 10%.

31 Learn and Earn Early College High Schools

\$3,601,265 R \$3,601,265 R
\$120,000 NR

Provides funding for 12 additional Learn and Earn high schools that will be operational in FY 2009-10, bringing the total number of Learn and Earn "traditional" high schools to 68. the nonrecurring appropriation provides \$10,000 per site to support start-up costs associated with the first year of implementation. (H.B. 184/S.B. 323)

32 North Carolina Virtual Public Schools (NCVPS)

\$2,000,000 R \$2,000,000 R

Provides additional funds to expand the NCVPS. These funds would provide additional resources to support the cost of teachers and instructional materials for students enrolled in NCVPS courses. These funds would be in addition to \$2.7 million in other recurring NCVPS funding. (S.L. 2009-451, Sec. 7.9)

C. Department of Public Instruction

33 DPI Position Reduction

(\$4,625,856) R (\$5,420,925) R

Requires the State Board of Education (SBE) to identify and eliminate the following number and types of positions over the biennium and reduces State funding accordingly:

-64.00 -75.00

FY2009-10: 64 State-supported DPI positions
FY2010-11: 100 DPI positions (a combination of at least 75 State-funded and 25 positions funded by other sources)

DPI may eliminate some or all of its 29 State-funded vacant positions, or shift certain positions to federal funding, where possible, to meet these reduction targets.

34 DPI Operating Funds

(\$2,087,638) R

(\$2,846,779) R

Reduces funding for DPI operations, excluding salaries and benefits, by 11% in FY 2009-10 and by 15% in FY 2010-11.

35 Plan for Statewide Motor Coach Permit

\$5,000 NR

Directs the State Board of Education, in conjunction with the Division of Motor Vehicles, to develop a plan by January 1, 2010 for a statewide permit for motor coach companies seeking to contract with local school systems to transport students and other authorized personnel on school-sponsored trips. (S.B. 591; S.L. 2009-451, Sec. 7.29)

36 Legacy Funds

Adjusts fund balance remaining from nonrecurring appropriations made for agency IT infrastructure. This reduction would eliminate the fund balance of \$3,000,000.

37 Personal Financial Literacy

(\$500,000) R

(\$500,000) R

Eliminates the recurring appropriation for this activity. Personal Financial Literacy has already been integrated into the curriculum and is available to students through the Civics and Economics curriculum. DPI personnel shall continue to provide curricular materials, professional development, and technical assistance to teachers on this subject.

38 Governor's Schools

(\$75,000) R

(\$475,000) R

Reduces program support by \$75,000 in both years of the FY 2009-11 biennium. The Budget will also institute a tuition charge of \$500 per student beginning in FY 2010-11 (2010 summer session) along with an offsetting General Fund reduction of \$400,000. Funding supports the Governor's Schools, which are held each summer for six weeks at two college campuses. Student selection is competitive. The current appropriation supports a total of 800 student participants. (S.L. 2009-451, Sec. 7.39)

39 Teacher Working Conditions Survey

Eliminates funding for the Survey and related activities in FY 2010-11. Funding is provided for FY 2009-10.

(\$215,000) NR

40 Interstate Commission for Educational Opportunity for Military Children

\$48,306 R

\$48,306 R

Provides funds to cover the assessment of dues for North Carolina's membership in the Interstate Commission for Educational Opportunity for Military Children.

FY 09-10

FY 10-11

41 District and School Transformation Initiative

\$2,500,000 R

\$2,500,000 R

Expands the State Board of Education's District and School Transformation initiative. The District and School Transformation initiative is part of the State's redesigned framework for delivering technical assistance and other support to low performing districts and schools.

D. Pass-Through Funds

42 Tarheel Challenge Academy

\$1,228,350 R

\$1,228,350 R

Provides funding to the North Carolina's Tarheel Challenge Academy, a quasi-military program for high school dropouts, or expellees. It is located in Sampson County and sponsored by the North Carolina National Guard. This program receives matching funds from the federal government equal to \$60 for every \$40 of State funds. Previously, the Tarheel Challenge had been funded within the Department of Crime Control and Public Safety budget. The appropriation for this program was eliminated for FY 2008-09 pending the findings of a Continuation Review.

43 Appropriations to Non-Public School Organizations

(\$4,594,519) R

(\$6,702,953) R

Reduces recurring funding to the following organizations:

\$2,108,434 NR

Communities in Schools (\$160,750),
 Schools Attuned (\$820,911),
 ExplorNet (\$300,000),
 Teacher Cadet (\$60,000),
 NC Network (\$312,625),
 Science Olympiad (\$22,500),
 Teach for America (\$50,000),
 NC Math & Science (\$100,000), and
 Project Enlightenment (\$200,000).

Funding for the Public School Forum's administration will be reduced by 10% (\$234,271) in FY 2009-10 and FY 2010-11. Additionally, the Forum's State support will be transitioned to nonrecurring funding in FY 2010-11.

Additionally, the \$1,500,000 in recurring funding for Literacy Coach training provided by the Teacher Academy shall be eliminated. The remaining \$5,556,413 provided for the Academy's activities shall be reduced by 15% (\$833,462).

E. Other Reserves and Transfers

44 Teaching Fellows Trust Fund

Reduces the cash balance of the Teaching Fellows Trust Fund on a nonrecurring basis by \$5,500,000. The current cash balance of the Fund is \$6.76 million. This reduction will not negatively impact program participants or operations.

45 Children's Trust Fund

(\$247,500) R (\$247,500) R

Eliminates the State appropriation for this program. Other annual receipts of approximately \$365,000 generated from marriage license fees will continue to support this program that awards grants to entities that support child neglect and abuse prevention initiatives. Section 10.43 of this bill will move administration of this program to the Department of Health and Human Services. (S.L. 2009-451, Sec. 10.43)

46 Business and Education Technology Alliance

Eliminates the Fund's cash balance of \$26,387 for the Business and Education Technology Alliance. A related provision, section 7.15, repeals this entity. (S.L. 2009-451, Sec. 7.15)

47 North Carolina Center for the Advancement of Teaching

\$5,913,229 R \$5,913,229 R

Transfers NCCAT to the State Board of Education. (H.B. 1181; S.L. 2009-451, Sec. 9.13)

48 State Literary Fund

Redirects the Fund's cash balance of \$613,872 for use in the School Technology Fund. This Fund has been used to provide loans to LEAs from the proceeds of certain State property sales. Only one loan has been made in the last 5 years and is currently in repayment status. (S.L. 2009-451, Sec. 7.37)

49 Computer Revolving Loan Fund

Eliminates the Computer Revolving Loan Fund and its cash balance of \$120,912. A related provision, section 7.36, repeals this Fund, which was created from the Literary Loan Fund to provide loans to LEAs needing to buy equipment to implement the Uniform Education Reporting System. The last loan from the Fund was made prior to FY 2004 and the last repayment of a loan was made in FY 2004. (S.L. 2009-451, Sec. 7.36)

50 Dropout Prevention Grants

\$13,000,000 R \$13,000,000 R

Provides recurring funding for additional dropout prevention grants. This program provides funding on a competitive basis to local school administrative units, schools, local agencies, or nonprofit organizations to support programs that address dropout prevention. The additional funding for this program can be used to provide continued funding to past grant recipients or to fund new recipients. The maximum grant size is \$175,000. (H.B. 1529; S.L. 2009-451, Sec. 7.13)

Total Legislative Changes

(\$387,488,165) R (\$493,897,268) R
 (\$399,592,422) NR (\$504,067,732) NR

Total Position Changes

-64.00 -75.00

Revised Budget

\$7,458,261,240 \$7,360,833,223

DPI - Trust Special

Budget Code: 63501

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$9,926,860	\$9,926,860
Recommended Budget		
Requirements	\$14,583,376	\$14,583,376
Receipts	\$14,583,376	\$14,583,376
Positions	1.75	1.75

Legislative Changes

Requirements:

6103 - Children's Trust Fund	(\$639,887) R	(\$639,887) R
Transfers this Fund to the Department of Health and Human Services as directed by Section 10.43 of the Budget.	\$0 NR	\$0 NR
	-1.75	-1.75
6117 - Business and Education Technology Alliance	(\$134) R	(\$134) R
Eliminates the Alliance budget as directed by Section 7.15 of the Budget.	\$0 NR	\$0 NR
	0.00	0.00
6112 - Computer Loan Revolving Fund	(\$6,573) R	(\$6,573) R
Eliminates the Computer Revolving Loan Fund budget as directed by Section 7.36 of the Budget.	\$0 NR	\$0 NR
	0.00	0.00
Subtotal Legislative Changes	(\$646,594) R	(\$646,594) R
	\$0 NR	\$0 NR
	-1.75	-1.75

Receipts:

6103 - Children's Trust Fund	(\$639,887) R	(\$639,887) R
	\$0 NR	\$0 NR

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	FY 2009-10	FY 2010-11
6117 - Business and Education Technology Alliance	(\$134) R	(\$134) R
	\$0 NR	\$0 NR
6112 - Computer Loan Revolving Fund	(\$6,573) R	(\$6,573) R
	\$0 NR	\$0 NR
Subtotal Legislative Changes	(\$646,594) R	(\$646,594) R
	\$0 NR	\$0 NR
<hr/>		
Revised Total Requirements	\$13,936,782	\$13,936,782
Revised Total Receipts	\$13,936,782	\$13,936,782
Change in Fund Balance	\$0	\$0
Total Positions	0.00	0.00
<hr/>		
Unappropriated Balance Remaining	\$9,926,860	\$9,926,860

Special Provisions

2009 Session: SB 202

Department: Public Education

Section: 7.1

Title: **Children with Disabilities**

Summary Provides funds for children with disabilities of \$3,500.77 per child for a maximum of 168,947 children for the 2009-2010 school year. This amount reflects all adjustments to headcounts.

Section: 7.2

Title: **Funds for Academically Gifted Children**

Summary Provides funds for academically and intellectually gifted children of \$1,163.07 per child for a maximum of 58,597 children (4% of ADM) for the 2009-10 school year.

Section: 7.3

Title: **Use of Supplemental Funding in Low-Wealth Counties**

Summary Continues the formula for determining eligibility for and distribution of funds appropriated in FY 2009-10 and FY 2010-11 for supplemental funding for public schools in low-wealth counties.

Section: 7.4

Title: **Small School System Supplemental Funding**

Summary Describes the formula for determining eligibility for and distribution of funds appropriated in FY 2009-10 and FY 2010-11 for supplemental funding for public schools in small counties (as determined by ADM).

(S.L. 2009-575, Section 3M.(a) amends S.L. 2009-451, Section 7.4 to amend the base allotment amounts in Section 7.4.(a).(5), reflecting that the cut of \$2 million to this allotment in the budget bill has been eliminated via S.L. 2009-575, Section 3M.(b).)

Section: 7.5

Title: **Replacement School Buses/Funds**

Summary Authorizes the financed purchase of school buses over a maximum of a 4-year period and formalizes the bidding partnership between the State Board of Education and the Department of Administration, Division of Purchase and Contract.

Section: 7.6

Title: **Discrepancies Between Anticipated and Actual ADM**

Summary Allows State Board of Education to make allotment adjustments in accordance with the Allotment Adjustments for ADM Growth provisions of the North Carolina Public Schools Allotment Policy Manual. If the Board does not have sufficient resources in the ADM Contingency Reserve line item to make the necessary adjustments, the Board may use funds appropriated to State Aid for Public Schools for this purpose.

Section: 7.7

Title: **Litigation Reserve Funds**

Summary Permits the State Board of Education to expend up to \$500,000 each year for FY 2009-10 and FY 2010-11 from unexpended funds for certified employees' salaries to pay expenses related to litigation.

Section: 7.8

Title: **Protection of the Classroom While Maximizing Flexibility**

Summary Section 7.8.(a) authorizes the State Board of Education to adopt emergency rules to grant maximum flexibility to LEAs regarding the expenditure of State funds.

Section 7.8.(b) encourages LEAs to use budgetary flexibility and federal stimulus money to protect classroom positions. For FY 2009-10 and FY 2010-11, teacher-to-student ratios are to remain unchanged in grades K-3, but LEAs will have maximum flexibility in their use of allotted teacher positions in grades 4-12.

Sections 7.8.(c) and 7.8.(d) outline the requirements for identifying and reporting the allotments reduced pursuant to the "LEA Reduction" made in Item #16 of the Conference Report for S.L. 2009-451.

Section: 7.9

Title: **North Carolina Virtual Public Schools**

Summary Continues to direct that NCVPS shall report to the State Board of Education and that all State-funded e-learning opportunities will continue to be consolidated under NCVPS. The provision also directs the State Board of Education to implement a new allotment formula for e-learning effective in FY 2010-11. If the State Board of Education fails to report a new allotment formula by December 15, 2009, there will be a freeze on expenditure of funds related to the operation of the State Board of Education. Finally, the provision details which sources of funds (General Fund appropriation, ARRA funds, and up to \$6 million from the School Technology appropriation) are available for the operation of NCVPS.

Section: 7.10

Title: **Learn and Earn Online**

Summary Outlines the parameters of the program and the allowable uses of funds (unchanged from prior years). Amends the reimbursement process for courses offered through NCCCS to conform with S.L. 2009-451, Sec. 8.6. Authorizes the enrollment of high school students attending a nonpublic school in Learn and Earn Online courses on a space-available basis for FY 2009-10 and FY 2010-11 only.

Section: 7.11

Title: **ABCs of Public Education**

Summary Places a one-year moratorium on financial awards paid to school personnel in FY 2009-10 based on student academic performance in FY 2008-09. Requires the State Board of Education to develop a plan to restructure the ABCs Accountability System and to report the plan to the Governor and the Joint Legislative Education Oversight Committee by January 31, 2010.

Section: 7.12

Title: **School Connectivity Initiative**

Summary Allows up to \$350,000 to be transferred annually to the Office of the Governor to support NC Virtual and the Education E-Learning Portal. Reduces from \$600,000 to \$300,000 the annual allowable transfer to the Friday Institute for the evaluation of this program and eliminates certain language requiring that the Friday Institute's evaluation reach certain pre-determined conclusions.

(S.L. 2009-575, Section 3E amends S.L. 2009-451, Section 7.12 by limiting the optional transfer of funds to support NC Virtual and the Education E-Learning Portal to a one-time occurrence by striking the word "annually.")

Section: 7.13

Title: **Dropout Prevention Grants**

Summary Reestablishes the Committee on Dropout Prevention. Outlines the criteria used to award the grants (up to \$175,000). Of the amounts appropriated for Dropout Prevention Grants, \$300,000 in nonrecurring funds shall be used to continue the North Carolina PTA Parental Involvement initiative.

(S.L. 2009-575, Section 3L amends S.L. 2009-451, Section 7.13 to clarify that monies for an evaluation and for administrative and technical assistance are to be made available each year of the biennium.)

Section: 7.14

Title: **Department of Public Instruction/Budget Flexibility**

Summary Permits the Department of Public Instruction to reorganize, if necessary, to implement budget reductions set out in this act.

Section: 7.15

Title: **Business Education Technology Alliance**

Summary Repeals the Business Education Technology Alliance by repealing G.S. 115C-102.15 and transfers the fund balance to the General Fund.

Section: 7.17

Title: **North Carolina 1:1 Learning Project**

Summary Allows unexpended funds available at the end of FY 2008-09 to be available for expenditure in FY 2009-10. Allows funds to be used for development of a statewide plan to extend the program to additional high schools.

Section: 7.18

Title: **Assessment and Accountability**

Summary Allows the funds realized due to the elimination of certain tests to be used to develop new end-of-course and end-of-grade tests aligned with new essential standards. Requires the State Board of Education to pilot a developmentally appropriate diagnostic assessment for students in elementary grades during the 2009-10 school year.

(S.L. 2009-575, Section 3F amends S.L. 2009-451, Section 7.18 to clarify that savings that result from eliminating tests shall be used to implement this section.)

Section: 7.19

Title: **Development of a PreK-20 Data System**

Summary Requires the Department of Public Instruction, with the cooperation of UNC and NCCCS, to develop the technical specifications and data standards for a PreK-20 data system to centralize student data. The work shall include a strategy for tracking students five years after they complete their education. This plan will be submitted to the Education Cabinet, which will then submit final recommendations to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management.

(S.L. 2009-575, Section 3G amends S.L. 2009-451, Section 7.19 by placing responsibility for this initiative with the State Board of Education, and establishing the reporting dates.)

Section: 7.20

Title: **Eliminate Certain Tests**

Summary Amends statute to conform with the policy decision to eliminate the following tests: Chemistry End-of-Course (EOC), Physics EOC, Reading Competency, Mathematics Competency, Grade 3 Math and Reading Pretests, and Computer Skills. (S.B. 947)

Section: 7.21

Title: **Remove Barriers to Lateral Entry Into Teaching**

Summary Requires the State Board of Education to identify and remove barriers to lateral entry of individuals into the teaching profession, reduce coursework requirements for lateral entry, and provide additional opportunities to complete coursework online. (S.B. 868)

Section: 7.22

Title: **No Pay Decrease for Teachers Who Become Assistant Principals**

Summary Amends G.S. 115C-285.(a) to create a new section establishing that a teacher who becomes an assistant principal without a break in services shall be paid at least as much as he or she would earn as a teacher, effective for all newly employed assistant principals after July 1, 2009. (H.B. 537/S.B. 306)

Section: 7.26

Title: **Teachers for Geographically Isolated K-12 Schools**

Summary Provides an allotment on the basis of one teacher per grade level for K-12 schools that meet the criteria of being small and geographically isolated.

Section: 7.27

Title: **Ensure Access to the EVAAS System**

Summary Requires the State Board of Education to use reversions to ensure that all LEAs have access to SAS EVAAS (Education Value Added Assessment System) for the 2009-2011 fiscal biennium.

Section: 7.28

Title: **Local Boards Must Inform Public About School Report Cards**

Summary Amends G.S. 115C-47 by adding a new section requiring local boards of education to ensure that the report card for that district receives wide distribution to the local press.

Section: 7.29

Title: **Plan for Statewide Motor Coach Permit**

Summary Directs the State Board of Education, in conjunction with the Department of Transportation, Division of Motor Vehicles, to develop a plan by January 1, 2010 for a statewide permit for motor coach companies seeking to contract with local school systems to transport students and other authorized personnel on school-sponsored trips. (S.B. 591)

Section: 7.30

Title: **NBPTS Application Costs**

Summary Effective July 1, 2010, this provision amends G.S. 115C-296.2, making the application fees for applying for National Board for Professional Teaching Standards certification a loan program. The State will loan teachers the \$2,500 application fee, which the teacher will be responsible for paying back over the next 3 years.

Section: 7.31

Title: **School Technology Plans**

Summary Amends G.S. 115C-102.5, G.S. 115C-102.6, G.S. 115C-102.6A, G.S. 115C-102.6B, G.S. 115C-102.6C, G.S. 115C-102.6D, and G.S. 115C-102.7 to transfer responsibility for the State Technology Plan from the Commission on School Technology to the State Board of Education. Maintains the Commission on School Technology in an advisory role.

Section: 7.32

Title: **IDEA Funds**

Summary Encourages LEAs, to the extent possible, to redirect IDEA funds received under the American Recovery and Reinvestment Act of 2009 to provide services for other at-risk students. Requires LEAs to report to the Joint Legislative Education Oversight Committee on the detailed expenditure of IDEA funds by March 15, 2010 and March 15, 2011.

Section: 7.33

Title: **Access to NCVPS and Learn and Earn Online**

Summary Requires the State Board of Education to report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division prior to December 1, 2009 on its policy regarding access for nonpublic school children to the North Carolina Virtual Public School and Learn and Earn Online, including any funding sources it authorizes, if any.

Section: 7.34

Title: **Education Stabilization Funds**

Summary Defines which allotments are considered primary budget formulae for the purpose of distributing the Education Stabilization Fund authorized in Title XIV of the American Recovery and Reinvestment Act of 2009.

Section: 7.35

Title: **Salary of Teachers with Graduate Degrees**

Summary Maintains the existing State Board of Education policies related to masters pay for teachers that were in effect for FY 2008-09.

Section: 7.36

Title: **Abolish Computer Loan Revolving Fund**

Summary Abolishes the Computer Loan Revolving Fund by repealing Article 32B of Chapter 115C of the General Statutes, and transfers the fund balance to support General Fund appropriations for FY 2009-10.

Section: 7.37

Title: **Loans from State Literary Fund Prohibited**

Summary Amends G.S. 115C-458 to prohibit the issuance of new loans and appropriates the fund's unencumbered cash balance for FY 2009-10 for school technology.

Section: 7.38

Title: **Charter School Evaluation**

Summary In each of FY 2009-10 and FY 2010-11, allows up to \$50,000 of funds appropriated to State Aid to Local School Administrative Units to be used by the North Carolina Center for Public Policy Research, Inc. to evaluate charter schools, focusing on the six objectives set out in G.S. 115C-238.29A.

Section: 7.39

Title: **Governor's School Tuition**

Summary Amends G.S. 115C-12 to provide the State Board of Education the authority to implement a \$500 tuition charge for students attending the Governor's School of North Carolina.

Section: 7.40

Title: **School Calendar Pilot Program**

Summary Requires the State Board of Education to establish a school calendar pilot program in the Wilkes County Schools. The school calendar for the 2009-10 school year for the Wilkes County Schools shall include a minimum of 180 days or 1,000 hours of instruction. The State Board of Education shall report to the Joint Legislative Education Oversight Committee by March 15, 2010 on the administration of the pilot program.

Section: 7.41

Title: **More Teachers in Classroom**

Summary Repeals S.L. 2008-86, effective January 1, 2011.

(S.L. 2009-575, Section 3H amends S.L. 2009-451, Section 7.41 to change the effective date to June 30, 2011.)

2009 Session: HB 836

Department: Public Education

Section: 3E

Title: **TECHNICAL CHANGES: School Connectivity Initiative**

Summary Amends S.L. 2009-451, Section 7.12 by limiting the optional transfer of funds to support NC Virtual and the Education E-Learning Portal to a one-time occurrence by striking the word "annually."

Section: 3F

Title: **TECHNICAL CHANGES: Assessment and Accountability**

Summary Amends S.L. 2009-451, Section 7.18 to clarify that savings that result from eliminating tests shall be used to implement this section.

Section: 3G

Title: **TECHNICAL CHANGES: Development of a PreK-20 Data System**

Summary Amends S.L. 2009-451, Section 7.19 by placing responsibility for this initiative with the State Board of Education, and establishing the reporting dates.

Section: 3H

Title: **TECHNICAL CHANGES: More Teachers in Classroom**

Summary Amends S.L. 2009-451, Section 7.41 to change the effective date to June 30, 2011.

Section: 3I

Title: **TECHNICAL CHANGES: Leadership Academy Funding**

Summary Amends S.L. 2009-451 to create a new Section 7.42 allowing the Department of Public Instruction to use up to \$200,000 of funds appropriated to support a Leadership Academy that provides professional development to superintendents.

Section: 3J

Title: **TECHNICAL CHANGES: Study of Teacher Salary Schedule**

Summary Amends S.L. 2009-451 by creating a new Section 7.43 that requires the Joint Legislative Education Oversight Committee to develop a plan to restructure the North Carolina Teacher Salary Schedule. The Committee shall report on the plan to the General Assembly no later than September 30, 2010.

Section: 3K

Title: **TECHNICAL CHANGES: Support Services Division Funding**

Summary Amends S.L. 2009-451 by creating a new Section 7.44 permitting the State Board of Education to use, out of funds available, up to \$1,500,000 that had previously been set aside from G.S. 115C-546.2 to support positions in the Department of Public Instruction's Support Services Division.

Section: 3L

Title: **TECHNICAL CHANGES: Dropout Prevention Grants**

Summary Amends S.L. 2009-451, Section 7.13 to clarify that monies for an evaluation and for administrative and technical assistance are to be made available each year of the biennium.

Section: 3M

Title: **TECHNICAL CHANGES: Small School System Supplemental Funding**

Summary Amends S.L. 2009-451, Section 7.4 to amend the base allotment amounts in Section 7.4.(a).(5), to eliminate the cut of \$2 million to this allotment that was included in Item #27 of the Conference Report for S.L. 2009-451.

Community Colleges

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$1,072,571,152		\$1,114,034,594	

Legislative Changes

A. Adjustments to Continuation Budget

51 Adjust Continuation Budget	(\$67,749,918)	R	(\$109,213,360)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				

52 Fully Fund Enrollment Growth	\$58,068,720	R	\$99,195,570	R
Provides funds to fully fund enrollment growth. According to the 2008-09 spring semester census, enrollment has increased by 15,259 full-time equivalents (or FTEs) above the 2008-09 budgeted enrollment of 201,625. This is a 7.6% increase and brings 2009-10 budgeted enrollment to 216,884. Curriculum enrollment has increased by 13,110 FTE (or 8.34%), continuing education enrollment by 1,683 FTE (or 6.70%), and basic skills enrollment by 466 FTE (or 2.41%).				

Estimated enrollment growth during the 2009-10 year is also fully funded with an additional appropriation of \$41,126,850 in FY 2010-11. This is based on an estimated enrollment growth of 5.4% (or 11,470 FTE).

B. Reductions - Community College System Office

53 Eliminate Vacant Positions and Salary Reserves	(\$523,128)	R	(\$523,128)	R
Eliminates 7 vacant positions in the Community College System Office, as well as \$46,192 of unused salary reserves.				
	-7.00		-7.00	

54 Eliminate Filled Positions	(\$835,708)	R	(\$835,708)	R
Eliminates 12 filled positions in the Community College System Office. The duties of these positions shall be eliminated or absorbed by other System Office employees. The positions are:				
	-12.00		-12.00	

- Special Events Coordinator
- BioNetwork Grants Associate
- Resource Development Coordinator
- Director of Foundation Support & Alumni Affairs
- Executive Assistant
- Bionetwork Grants Coordinator
- Library Technician
- Documentation Specialist (2 positions)
- IT Manager
- Accounting Technician
- Administrative Assistant

55 Move Positions to Receipt Support	(\$85,454)	R	(\$85,454)	R
<p>Reduces appropriations by shifting one Grants Administrator position to indirect cost receipts and one Education Consultant partially to proprietary school receipts. These positions oversee the activities that generate these receipts.</p>				
56 Reduce System Office Operating Budget	(\$952,248)	R	(\$952,248)	R
<p>Reduces the System Office operating budget in the following areas:</p> <ul style="list-style-type: none"> - IT Contracts (\$200,000), - Number of IT Training Days (\$88,000), - ITS Project Management Services (\$76,000), - Travel and Operating Funds for the Technology and Workforce Development Division (\$71,245), - Funding for Professional Development Course (\$7,500), - Travel and Operating Funds for the Academic and Student Services Division (\$19,680), and - Other reductions to be identified by the System Office (\$489,823). 				
57 Reduce 2+2 E-Learning Initiative	(\$250,000)	R	(\$250,000)	R
<p>Reduces the budget of the 2+2 E-Learning Initiative by \$250,000. This reduction leaves the 2+2 E-Learning Initiative with \$750,000 in recurring funds to support innovative distance learning programs.</p>				
58 Thai Entrepreneurship Fund	(\$221)	NR		
<p>Removes the remaining \$221 from the Thai Entrepreneurship Fund in Special Fund 26800 and reduces General Fund appropriations accordingly.</p>				
C. Reductions - Colleges				
59 Management Flexibility Reduction - State Aid	(\$14,000,000)	R	(\$14,000,000)	R
<p>Reduces funds in the State Aid budget. The State Board of Community Colleges shall distribute the flexibility reduction, accounting for the unique needs of each college. Each college reduced shall have the flexibility to adjust its budget to implement this reduction, but shall not impact those activities directly involved in retraining displaced workers. (S.L. 2009-451, Sec. 8.24)</p>				
60 Maintenance of Plant Supplement	(\$787,877)	R	(\$787,877)	R
<p>Eliminates supplemental funding currently allocated to colleges with an out-of-county student population over 50% of the total student population.</p>				
61 Botanical Laboratory at Fayetteville Technical Community College	(\$36,000)	R	(\$36,000)	R
<p>Reduces funding for the botanical laboratory at Fayetteville Technical Community College by 12%.</p>				

62 Community Service Block Grant	(\$1,066,603)	R	(\$1,066,603)	R
Eliminates funding for the community service block grant, requiring all community service programs to be offered on a self-supporting basis.				
63 Baccalaureate Education Attainment Funds	(\$112,751)	R	(\$112,751)	R
Eliminates baccalaureate education attainment funds available to community college faculty and staff to pursue and attain bachelor's degrees.				
64 Faculty and Staff Development Funds	(\$507,068)	R	(\$507,068)	R
Eliminates funds allocated by the State for professional development of community college faculty and staff.				
65 Compensatory Education Administration	(\$1,229,760)	R	(\$1,229,760)	R
Eliminates additional funds allotted to colleges for the administration of compensatory education programs. These programs provide assistance to developmentally-disabled, adult students by teaching them life-skills. Community colleges will continue to receive FTE funding for enrollment of these students.				
66 Supplemental Multi-Campus Center Funds	(\$1,185,112)	R	(\$1,185,112)	R
Reduces supplemental multi-campus center funds by 8%. Community colleges will continue to receive FTE funding for enrollment at multi-campus sites.				
67 Off-Campus Center Funds	(\$1,000,000)	R	(\$1,000,000)	R
Eliminates supplemental funding for off-campus centers. Community colleges will continue to receive FTE funding for the enrollment at off-campus centers.				
68 Eliminate One Virtual Learning Community Development Center	(\$200,000)	R	(\$200,000)	R
Eliminates one of the five State-supported Virtual Learning Community development centers. The State Board of Community Colleges will determine which center to eliminate.				
69 Reduce Funding for Library Books and Materials	(\$848,391)	R	(\$848,391)	R
Reduces funding for library books and materials by 20%.				
70 Reduce BioNetwork Grants and Marketing Funds	(\$1,440,675)	R	(\$1,440,675)	R
Reduces funds for grants and marketing of the NCCCS BioNetwork. Of the total reduction, \$1,056,808 will be reduced from grants to colleges and \$383,866 will be reduced from marketing funds.				

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71 Eliminate Supplemental Hearing Impaired Funding	(\$190,000)	R	(\$190,000)	R
Eliminates funds allotted to Wilson, Central Piedmont, and Western Piedmont Community Colleges to support the additional costs of serving hearing impaired students. These colleges will continue to receive FTE funding for the enrollment of these students.				
72 Eliminate Funds for Disadvantaged Nursing Students	(\$80,000)	R	(\$80,000)	R
Eliminates funds for disadvantaged nursing students. These funds currently support tutoring, NCLEX review, and instructional software.				
73 Regional Criminal Justice Coordinators	(\$430,119)	R	(\$430,119)	R
Eliminates funds used for three regional coordinators to provide comprehensive education and training to law enforcement personnel.				
74 Reduce Fire Training Coordinators	(\$489,018)	R	(\$489,018)	R
Eliminates funding for 5 of the 8 Regional Fire Training Coordinators, leaving \$283,275 for three remaining training coordinators. These three coordinators are to be based regionally, and supervised by the Community College System Office. (S.L. 2009-451, Sec. 8.18)				
75 Public Radio Station Pass-Through Funds	(\$458,921)	R	(\$458,921)	R
Eliminates pass-through funds for three public radio stations located on community college campuses:				
<ul style="list-style-type: none"> - Gaston (\$191,333), - Craven (\$66,333), and - Isothermal (\$201,255). 				
76 Reduce Child Care Grants to FY 2007-08 Actual Expenditures	(\$84,801)	R	(\$84,801)	R
Reduces funding for child care grants to student parents who rely on child care to pursue their studies to actual FY 2007-08 expenditures (\$1,838,215).				
77 Reduce Hickory Metro Higher Education Center	(\$255,834)	R	(\$255,834)	R
Reduces categorical allotment to Catawba Valley Community College for the Hickory Metro Higher Education Center (HMHEC). HMHEC offers baccalaureate and advanced degrees through partnerships with four-year public and private colleges and universities. Administration of the HMHEC shall remain with Catawba Valley Community College. (S.L. 2009-451, Sec. 8.25)				
78 Small Business Center Funding	(\$402,861)	R	(\$402,861)	R
Eliminates a categorical allotment to Asheville-Buncombe Technical Community College for hospitality and tourism (\$54,861) and reduces each college's base allocation by \$6,000 (\$348,000). After these reductions, total funding for this program will be \$5,353,992.				

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<p>79 Reduce Specialized Centers Reduces the appropriation to the specialized centers at Gaston College, Catawba Valley CC, and Haywood CC by 13% each.</p>	(\$298,133) R	(\$298,133) R
<p>80 Reduce Special Allotment Funding for Truck Driving Programs Eliminates special allotment funding for truck driving programs at Johnston and Caldwell Community Colleges. These colleges will continue to receive regular FTE funding for these programs.</p>	(\$320,308) R	(\$320,308) R
<p>81 Eliminate Clerical Position from Funding Formula Eliminates one of the eight clerical positions from the institutional support base allotment funding formula for community colleges.</p>	(\$2,287,752) R	(\$2,287,752) R
<p>82 Prisoner Education Program Continuation Review Eliminates recurring funding for the prisoner education program and provides nonrecurring funds for FY 2009-10. Restoration of recurring funding in FY 2010-11 is subject to the findings of a legislative continuation review. (S.L. 2009-451, Sec. 8.19)</p>	(\$32,899,715) R \$32,899,715 NR	(\$32,899,715) R \$0 NR
<p>83 Eliminate General Education Courses for Dual Enrollment/Huskins Students Eliminates funding for the general education (excluding math, science, and technology), physical education, and college success skills courses offered to high school students through the dual enrollment and Huskins programs. These courses will no longer generate State funding through budget FTE. If a community college wants to offer these courses to dual enrollment and Huskins students, then the colleges may charge an amount sufficient to cover the costs of the courses. This reduction does not impact courses provided to students of Early and Middle College High Schools. In order to ensure all colleges receive full enrollment growth funding for FY 2009-10, this reduction will be treated as a management flexibility reduction in FY 2009-10. In subsequent years, this reduction will be realized in the form of reduced enrollment growth at colleges.</p>	(\$14,612,950) R	(\$14,612,950) R

D. Tuition and Fees

84 Restructure Continuing Education Fee Rates (\$7,397,255) R (\$7,397,255) R

Restructures continuing education fee rates. The new fee structure will consolidate the current structure from four tiers into three, based on the number of hours of class time, as follows:

- Classes 1-24 hours - \$65,
- Classes 25-50 hours - \$120, and
- Classes 51+ hours - \$175.

Continuing education fees have not been increased since the current sliding scale was adopted in 1999. Continuing education courses are non-credit courses and are taken by students not seeking a degree. (S.L. 2009-451, Sec. 8.12; S.L. 2009-215, Sec. 9)

85 Tuition Increase (\$30,522,884) R (\$30,522,884) R

Increases curriculum tuition by \$8 per credit hour, from \$42 to \$50 for residents and from \$233.30 to \$241.30 for nonresidents. Tuition for full-time, resident students will increase by a maximum of \$256 per year, from \$1,344 to \$1,600. (S.L. 2009-215, Sec. 9)

E. Additional Adjustments

86 Expansion of High-Demand/High Cost Health Care Programs \$4,835,000 R \$6,242,300 R

Increases the weighted funding in nursing, dental, and radiology technology programs to reduce waiting lists and expand program offerings in high-demand health care program areas. (H.B. 198/S.B. 512 & S.B. 443)

87 Vocational and Technical Education Programs \$4,500,000 R \$4,500,000 R

Provides funds to re-establish and place renewed emphasis on vocational and technical education programs. Funds may be used for faculty, equipment, or supplies in the following curriculum areas: Transportation, Engineering, Industrial, Military, Construction, and Green Technology Sectors. Funds shall be distributed to colleges based on the number of FTE students enrolled in these areas. (H.B. 217 & H.B. 5446)

88 Equipment and Technology \$9,000,000 R \$12,000,000 R

Provides funds for the purchase of instructional equipment and technology at all 58 colleges. These funds are in addition to the \$31.3 million included in the base budget for this purpose. Funds shall be distributed in accordance with the existing equipment formula. (H.B. 420/S.B. 445)

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89 Restore Funding for the NC Military Business Center

\$1,250,000 R

\$1,250,000 R

Restores funding to the NC Military Business Center at Fayetteville Technical Community College. The Center received non-recurring funds in FY 2008-09 while undergoing a continuation review. The Center works with communities and companies to develop and obtain federal business opportunities, including with the US military at NC military installations. (S.L. 2009-451, Sec. 8.16; H.B. 58/S.B. 991)

90 NC REAL

\$250,000 R

\$250,000 R

Funds a training program in entrepreneurial skills provided by NC REAL (NC Rural Entrepreneurship through Active Learning). (H.B. 1528)

Total Legislative Changes

(\$105,637,524) R

(\$101,566,816) R

\$32,899,494 NR

\$0 NR

Total Position Changes

-19.00

-19.00

Revised Budget

\$999,833,122

\$1,012,467,778

Special Provisions

2009 Session: SB 202

Department: Community Colleges

Section: 8.1

Title: **Community College Faculty Salary Plan**

Summary Restricts the flexibility of colleges to transfer funds for faculty salaries to other areas based on the college's average faculty salary as compared to the national average.

Section: 8.2

Title: **Use of Basic Skills Funds**

Summary Permits colleges to use up to 5% of literacy funds to buy instructional technology for literacy labs.

Section: 8.4

Title: **Financial Aid Program Administrative Costs**

Summary Amends G.S. 115D-40.1 (c) to permit the interest earned on the Escheat funds provided for the Community College Grant program to be used to support the administrative costs of the program.

Section: 8.5

Title: **Carryforward of North Carolina Research Campus Biotechnology Training Funds**

Summary Directs that funds appropriated in 2006 and 2008 to the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis shall not revert, but shall remain available until expended.

Section: 8.6

Title: **Learn and Earn Online Funds**

Summary Directs the Office of State Budget and Management to transfer sufficient funds from the State Public School Fund to the Community Colleges System Office for the FTE enrollment in Learn and Earn Online. Also permits community college enrollments in Learn and Earn Online to be considered regular budget FTE.

(S.L. 2009-575, Sec. 4 amends this provision to read that the Community College System Office will implement subsection (a) of this section.)

Section: 8.7

Title: **Carryforward of College Information System Funds**

Summary Allows the Community College System Office to carryforward funds for the College Information System at the end of FY 2008-09 to purchase periodic system upgrades and to create a maximum of three positions.

Section: 8.8

Title: **Modify Multicampus and Off Campus Center Report Date**

Summary Amends G.S. 115D-5(o) to move a report date from October 1 to December 1 of each year.

Section: 8.9

Title: **Repeal Report on the Use of Community College Facilities by Private Businesses**

Summary Repeals G.S. 115D-5(q) to eliminate a reporting requirement.

Section: 8.11

Title: **Eliminate Some Tuition Waivers**

Summary Amends various sections of G.S. 115B and G.S. 115D to make the following changes to tuition waivers.

- Eliminates the senior citizen tuition waiver for the university system.
- Provides the tuition waiver at community colleges for up to six hours of credit instruction per academic semester for senior citizens that are North Carolina residents and age 65 or older.
- Eliminates the tuition waiver for prison inmates, effective July 1, 2010.

(S.L. 2009-575, Sec. 5 amends this provision to provide the senior citizen tuition waiver for up to 96 contact hours of noncredit instruction per academic semester at community colleges.)

Section: 8.12

Title: **Continuing Education Fees**

Summary Sets the new continuing education fee scale:

- 1-24 hours = \$65
- 25-50 hours = \$120
- 51+ hours = \$175

Note: S.L. 2009-215, Sec. 9 (Continuing Budget Authority) made identical changes to the continuing education fees and also included the curriculum tuition increases included in the budget. However, the provision expired on December 31, 2009. This provision makes those changes permanent.

Section: 8.13

Title: **Consolidate Nursing and Allied Health Allotments**

Summary Consolidates the allotments for nursing and allied health.

Section: 8.14

Title: **Customized Training Program**

Summary Permits unexpended and unencumbered funds for the program as of June 30, 2010 to be carried forward to FY 2010-11 for equipment purchases. Restates that projects that create or retain jobs in NC shall receive first priority for funds, and amends G.S. 115D-5.1(f) to add a reporting requirement to the annual report.

Section: 8.15

Title: **Community Colleges Urged to Participate in Federal Student Loan Programs**

Summary Urges all community colleges to participate in federal student loan programs.

Section: 8.16

Title: **North Carolina Military Business Center**

Summary Restates the mission of the NCMBC to include all federal contracting, with a focus on military contracting. (H.B. 58/S.B. 991)

Section: 8.17

Title: **Revise College Funding Formula Categories**

Summary Directs the State Board to revise college funding formula categories to more accurately reflect where colleges are spending their State funds. Formulas are to ensure that adequate funds are available for campus security. Also directs the State Board to adopt emergency rules for the biennium to grant colleges budget flexibility to minimize the impact of the budget cuts.

Section: 8.18

Title: **Fire Training Coordinators**

Summary Places the three fire training coordinators under the direct supervision of the System Office, and requires one in each region of the State.

Section: 8.19

Title: **Continuation Review of the Prisoner Education Program**

Summary Requires further information, in addition to the basic requirements of a Continuation Review, regarding:

1. Total cost of the program
2. Analysis of the appropriate source of funding, including an analysis of a prisoner's ability to pay
3. Review of which programs are most vital to the prisoner population and a priority order for restoration
4. Analysis of the cost per FTE
5. Analysis of the feasibility of limiting access to those who will be released within a certain time frame or to those programs that lower recidivism rates.

See section 6.6E in the Statewide Reserves section of this document for the basic requirement of a Continuation Review.

Section: 8.20

Title: **Study of Efficient and Effective Community College Administration**

Summary Directs the Program Evaluation Division of the General Assembly to study the most efficient and effective way to administer the local community colleges system, including looking at consolidation of administration and student access.

Section: 8.21

Title: **No State Funds for Intercollegiate Athletics**

Summary Prohibits State funds (including student tuition receipts and student aid funds) from being used for intercollegiate athletics at a community college.

Section: 8.22

Title: **Funding for High School Students Enrolled in Community Colleges, Colleges, and Universities**

Summary Directs NCCCS, in conjunction with DPI and UNC, to study issues of funding for high school students enrolled in community college, college, and university courses, including an analysis of serving these students by grade level. Results of the study shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by January 10, 2010.

Section: 8.23

Title: **Funding for New Multicampus Colleges**

Summary Directs State Board to study the cost of funding all MCCs, to develop a mechanism to ensure that new ones are funded at the same level as existing multicampus colleges, and to explore recommendations for including that cost in the continuation budget. Results shall be reported to the Joint Legislative Education Oversight Committee by February 15, 2010.

Section: 8.24

Title: **Management Flexibility Reduction/ Community Colleges**

Summary Directs that the management flexibility reduction for the CC System be allocated by the State Board in a way that accounts for the unique needs of the colleges. Directs the colleges to look first at reducing senior and middle management and programs that have both low enrollment and low-postgraduate success. Directs that colleges shall minimize the impact on student support services and on the retraining of dislocated workers. Colleges shall also review institutional funds to determine whether there are monies available to assist with operating costs before taking reductions in instructional budgets.

Section: 8.25

Title: **Hickory Metropolitan Higher Education Center**

Summary Directs Catawba Valley Community College to continue serving as the fiscal agent for the Hickory Metropolitan Higher Education Center. The Center shall not end any agreement with any other accredited college or university to offer courses at the Center.

2009 Session: HB 836

Department: Community Colleges

Section: 4

Title: **TECHNICAL CHANGES: Learn and Earn Online Funds**

Summary Amends S.L. 2009-451, Sec. 8.6.(b) to direct the Office of State Budget and Management to transfer sufficient funds from the State Public School Fund to the Community Colleges System Office to implement subsection (a) of this section.

Section: 5

Title: **TECHNICAL CHANGES: Eliminate Some Tuition Waivers**

Summary Amends S.L. 2009-451, Sec. 8.11.(d) to provide the tuition waiver for up to 96 contact hours of noncredit instruction per academic semester.

UNC System

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$3,026,185,255		\$3,100,871,575	
Legislative Changes				
A. Base Budget Adjustments				
91 Adjust Continuation Budget	(\$171,869,601)	R	(\$246,791,153)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
92 Utility Budget Adjustment	\$101,493	R	\$101,493	R
Restores a reduction to the utility budget of UNC General Administration that was made in error during the preparation of the FY 2009-11 budget.				
93 Enrollment Growth	\$44,197,776	R	\$97,630,002	R
Funds projected enrollment growth in the UNC system for FY 2009-10 and FY 2010-11 as requested by the UNC Board of Governors.				
94 University Cancer Research Fund	\$3,400,000	R	(\$80,000)	R
Adjusts the continuation budget for the University Cancer Research Fund to account for an increase in the tax on tobacco products other than cigarettes. This adjustment completes a legislative commitment of \$50 million a year invested in this fund.				
95 Education Stabilization Fund	(\$137,815,944)	NR	(\$144,202,648)	NR
Provides a two-year nonrecurring reduction to items that are allowable expenditures under Sec. 14004 of the ARRA to be offset dollar for dollar by an appropriation from the federal Education Stabilization Fund.				
96 Management Flexibility Reduction	(\$72,866,184)	R	(\$100,000,000)	R
Mandates a management flexibility reduction for the UNC operating budget. This reduction shall not be allocated on an across-the-board basis to constituent institutions by the UNC Board of Governors. The following categories must be considered for reductions: senior and middle management positions, centers and institutes, low enrollment degree programs, faculty workload, speaker series, and institutional trust fund balances. (S.L.2009-451, Sec.9.19)				

97 Tuition Increase			(\$34,776,301)	R
Increases annual tuition by the lesser of \$200 or 8% at all UNC institutions in FY 2010-11. This tuition increase is applied to both resident and nonresident students at the undergraduate and graduate levels.		R	(\$225,872)	R
98 Reserve for Distance Education	(\$225,872)	R	(\$225,872)	R
Reduces the Reserve for Distance Education Capacity Enhancement by 19.5%. Created in 1996, this reserve is currently being used for UNC Online efforts.		R	(\$150,000)	R
99 Reserve for Information Technology	(\$150,000)	R	(\$150,000)	R
Reduces the Reserve for Information Technology Productivity and Efficiency by 16%. This reserve has been used to help 14 UNC campuses implement the Banner computer program for Finance, Human Resources, and Financial Aid.	(\$1,000,000)	NR	(\$1,000,000)	NR
100 Strategic Initiative Reserve Reduction	Reduces the UNC President's \$3.3 million Strategic Initiative Reserve for two years. The Reserve is used to encourage multi-campus initiatives, take advantage of promising opportunities, and address system-wide issues and concerns.			
101 Legislators' Schools For Leadership Development Abolished	(\$500,000)	R	(\$500,000)	R
Abolishes the Legislators' Schools for Leadership Development at ECU and WCU. These programs provide summer residential programs to enhance the leadership abilities of rising eighth through eleventh graders.	-4.00		-4.00	
102 Bowles Center for Alcohol Studies - DWI Fee Change	(\$537,455)	R	(\$537,455)	R
Reduces the General Fund appropriation for the Bowles Center for Alcohol Studies by directing that the \$25 DWI driver's license restoration fee be used for the Center's operating support instead of the Center's endowment fund.(S.L. 2009-451, Sec.9.5; S.B. 637)	(\$1,343,002)	R	(\$1,343,002)	R
103 Focused Growth Reserve Eliminated	Eliminates a UNC General Administration reserve for new degree programs on Focused Growth campuses. Enrollment growth funding can be used to initiate new academic programs. This reduction does not reduce the \$29.2 million in Focused Growth funds allocated to the 7 designated campuses.			
104 Tuition Grant for NC Science and Math Graduates	Phases out the tuition grant at UNC institutions for graduates of the North Carolina School of Science and Math beginning in FY 2011-12. All UNC students currently receiving the tuition grant and Science and Math students graduating in 2009 and 2010 will receive free tuition until college graduation.(S.L. 2009-451, Sec.9.6)			

105 Nurse Educators of Tomorrow - Fund Balance Reduced

Reverts \$1 million from the fund balance in the Nurse Educators of Tomorrow scholarship-loan program. A slow start-up in this program to increase the number of nursing faculty allowed a fund balance to accrue in this nonreverting account. The increased General Fund availability will be used to fund expansion budget items.(S.L. 2009-451, Sec.9.9)

106 Future Teachers Scholarship-Loan Program

Abolishes the Future Teachers of North Carolina Scholarship-Loan program after the graduation of the currently enrolled juniors and seniors.(S.L. 2009-451, Sec.9.18)

(\$1,267,500) R (\$1,495,000) R

107 Tuition Surcharge

Increases the tuition surcharge from 25% to 50% in FY 2010-11 for students exceeding 140 credit hours for a baccalaureate degree in a four-year program or 110% of credit hours needed for a five-year baccalaureate degree.(S.L. 2009-451, Sec.9.10)

(\$1,000,000) R

108 Faculty/Staff Tuition Waiver

Reduces from three to two the number of free courses taken each year by faculty and staff in the UNC system.(S.L. 2009-451, Sec.9.21)

(\$700,000) R (\$700,000) R

109 Senior Citizen Tuition Waivers

Eliminates tuition waivers granted to citizens over age 65.(S.L. 2009-451, Sec.8.11)

(\$300,000) R (\$300,000) R

110 Special Talent Tuition Waiver

Eliminates the special talent waiver for athletics, but keeps the tuition waiver for special talent in academics and performing arts.(S.L. 2009-451, Sec.9.22)

(\$300,000) R (\$300,000) R

111 EARN Scholarship

Reduces the Education Access Rewards North Carolina Scholars Fund (EARN) grant from \$4,000 to \$2,000 in FY 2009-10 and eliminates the grant in FY 2010-11.(S.L. 2009-451, Sec.9.2)

(\$16,225,000) R

112 Legislative Tuition Grant

Reduces the Legislative Tuition Grant from \$1,950 to \$1,850 per North Carolina resident student attending the state's private colleges.

(\$3,180,000) R (\$3,180,000) R

113 Religious College Grant

Reduces the religious college grant from \$1,950 to \$1,850 per North Carolina resident student attending Mid Atlantic Christian University and the College at Southeastern.

(\$17,400) R (\$17,400) R

2009 Annotated Conference Committee Report

	FY 09-10		FY 10-11	
114 Aid to Private Medical School Students	(\$447,000)	R	(\$447,000)	R
Provides \$5,000 annual grants to North Carolina resident students attending Wake Forest University and Duke University medical schools. Eliminates the previous program that primarily aided the operations of the two private medical schools.(S.L. 2009-451, Sec.9.15)				
115 Aid to UNC Hospitals	(\$2,000,000)	R	(\$2,000,000)	R
Reduces the \$46 million annual appropriation to UNC Hospitals by \$2 million.				
116 NC LIVE	(\$145,440)	R	(\$145,440)	R
Reduces the appropriation to NC LIVE (North Carolina Libraries for Virtual Education) by 10%.				
117 NC Center for the Advancement of Teaching (NCCAT)	(\$6,956,740)	R	(\$6,956,740)	R
Reduces funding by \$1,043,511 (15%) for the North Carolina Center for the Advancement of Teaching (NCCAT) and transfers the program and the balance of its funding (\$5,913,229)from the UNC system to the State Board of Education by special provision.(S.L. 2009-451, Sec.9.13; H.B. 1181)				
118 NC Judicial College	(\$150,000)	R	(\$150,000)	R
Reduces the \$1 million state appropriation to the North Carolina Judicial College at UNC-CH's School of Government by 15%.				
119 NC Center for International Understanding	(\$108,789)	R	(\$108,789)	R
Reduces the operating budget for the North Carolina Center for International Understanding.				
120 A+ Schools	(\$50,000)	R	(\$50,000)	R
Reduces the annual state appropriation for the A+ Schools Program at UNC-Greensboro. This program was recently merged into the UNC-G SERVE Center.				
121 CFNC Teacher Recruitment Module	(\$25,000)	R	(\$25,000)	R
Eliminates an annual appropriation that was granted in 2005 to create a teacher recruitment and marketing module on the CFNC website.				
122 NC Model Teacher Education Consortium	(\$450,000)	R	(\$450,000)	R
Reduces the operating budget for the NC Model Teacher Education Consortium.				
123 Gateway Technology Center	(\$17,700)	R	(\$17,700)	R
Reduces the annual grant to Gateway Technology Center, Inc. in Rocky Mount by 10%.				

124 UNC-NCCCS E-Learning Initiative	(\$250,000)	R	(\$250,000)	R
Reduces the UNC system appropriation for the UNC-NC Community College System E-Learning Initiative by 25%.				
125 NCSU Horticultural Program in Eastern NC	(\$24,000)	R	(\$24,000)	R
Reduces by 12% the internship program for graduate students in the Horticultural program at NCSU's College of Agriculture and Life Sciences to perform field work in the State's coastal region.				
126 Retention Pilot Programs	(\$119,300)	R	(\$119,300)	R
Reduces by 10% the funding distributed by the UNC Board of Governors to Focused Growth institutions for Academic Summer Bridge and Retention Pilot Programs.				
127 Summer Term Teacher Education Programs	(\$350,000)	R	(\$350,000)	R
Reduces the summer term teacher education pilot programs at UNC-W and FSU.				
128 Teacher Recruitment and Retention	(\$350,000)	R	(\$350,000)	R
Reduces the appropriation made in 2007 to NCSU and UNC-CH for teacher recruitment and retention efforts.				
129 UNC Centers and Institutes	(\$12,000,000)	R	(\$14,000,000)	R
Reduces state funding to the UNC system for centers and institutes. These universities must reduce the budgets for the centers and institutes on their campuses by the following amounts :				
ASU	(\$276,010)			
ECU Academic Affairs	(\$1,080,833)			
ECU Health Affairs	(\$62,612)			
ECSU	(\$21,818)			
NCCU	(\$73,904)			
NCSU	(\$1,776,189)			
NCSU Ag Research Serv.	(\$312,189)			
UNC-CH Academic Affairs	(\$4,552,785)			
UNC-CH Health Affairs	(\$1,236,134)			
UNC-C	(\$390,428)			
UNC-G	(\$227,738)			
UNC-P	(\$8,645)			
UNC-SA	(\$100,000)			
WCU	(\$79,154)			
WSSU	(\$55,409)			
In addition, the UNC Board of Governors will further reduce center and institute budgets by \$1,746,152 in FY 09-10 and \$3,746,152 in FY 10-11.				
130 North Carolina Botanical Garden	(\$145,462)	R	(\$145,462)	R
Reduces the state appropriation to the North Carolina Botanical Garden at UNC-CH by 12%.				

B. Additional Adjustments

131 UNC Need-Based Aid	\$11,000,000 R \$12,000,000 NR	\$11,000,000 R
<p>Increases the UNC Need-Based Student Financial Aid Program to accommodate growth in eligible students and to help offset increases in cost of attendance. There is \$116.4 million appropriated from the Escheats Fund for the program.</p>		
132 Veterinary Medicine Clinical Teaching and Research Fund	\$250,000 NR	
<p>Provides continued funding to the NC State University College of Veterinary Medicine for the Veterinary Medicine Clinical Teaching and Research Fund. This fund allows advanced diagnostic and treatment options for animals where a) owner financing of such options are limited, b) significant instructional value exists, or c) the diagnostic and treatment options have the potential of adding significantly to the core knowledge in the relevant clinical area. (S.B.274/H.B. 263)</p>		
133 ECU Dental School Operations	\$3,000,000 R 20.00	\$3,000,000 R 20.00
<p>Provides funds to the School of Dentistry at East Carolina University to hire new faculty, to develop the curriculum in preparation of program accreditation, and to establish the location of dental service learning centers throughout the state where faculty and students will see patients. (S.B.561/H.B. 240)</p>		
134 ECU Indigent Care	\$2,000,000 R	\$2,000,000 R
<p>Reimburses a portion of the annual uncompensated patient care provided by the clinics of the East Carolina University Brody School of Medicine. (S.B. 296/H.B. 359)</p>		
135 Nursing Program Expansion	\$835,000 R 5.00	\$835,000 R 5.00
<p>Funds the establishment of an accelerated baccalaureate nursing program at North Carolina Central University (\$500,000) that will produce highly skilled nursing personnel in a shorter time period and will have a specific focus on recruiting students from medically underserved populations within North Carolina. Also funds an increase of 80 students at the UNC-Chapel Hill School of Nursing (\$335,000) with an emphasis on increasing the number of pre-licensure graduates and providing increased access to baccalaureate nursing education to college graduates.</p>		
136 NC Research Campus at Kannapolis	\$3,000,000 R	\$3,000,000 R
<p>Provides funding to hire researchers and to provide equipment and supplies for University personnel working at the NC Research Campus in Kannapolis. Seven UNC-system campuses are involved in collaborative research at the campus to break new ground in health and science discoveries and help attract new employers and jobs to the State. The UNC System's annual operating budget at the Research Campus will increase to \$22.5 million with this appropriation. (H.B. 1569)</p>		

<p>137 Energy Production Infrastructure Center (EPIC) at UNCC Provides funds to hire initial staff to develop programs in the following areas: electrical power including alternative energy, power plant engineering, and power system infrastructure. This center will help meet the increasing demand for engineers in the energy field created by an aging workforce and industry growth.(H.B. 1551)</p>	<p>\$2,000,000 R</p>	<p>\$2,000,000 R</p>
<p>138 NC A&T College of Engineering Provides the NC A&T State University College of Engineering with funding for post-doctoral and faculty positions, SPA staff support, laboratory supplies, and equipment upgrades and maintenance. A portion of these funds may be used to match NC A&T's portion of a \$18.5 million five-year National Science Foundation Engineering Research Center grant, the first ERC grant awarded to a HBCU (Historically Black College and University).</p>	<p>\$2,000,000 R</p>	<p>\$2,000,000 R</p>
<p>139 NCSU College of Engineering Provides funds to the NC State University College of Engineering to add faculty in interdisciplinary areas that respond to State and national needs. A portion of the funds may be used to match external grants for Electric Vehicle Research in the NCSU Advanced Transportation Energy Center.(H.B. 1539)</p>	<p>\$5,000,000 R</p>	<p>\$5,000,000 R</p>
<p>140 NC A&T/UNC-G Joint School of Nanoscience and Nanoengineering Continues the phase-in of faculty and staff for the NC A&T/UNC-G Joint School of Nanoscience and Nanotechnology located the Gateway University Research Park in Greensboro. The program will conduct research in areas such as drug design and delivery, nanobioengineering, and genetic screening.(S.B.542/H.B. 317)</p>	<p>\$1,000,000 R</p>	<p>\$1,000,000 R</p>
<p>141 WCU Rapid Product Realization Funds additional faculty and staff to enable Western Carolina's Center for Rapid Product Realization to link the academic programs of the School of Construction Management and Technology to regional businesses.</p>	<p>\$200,000 R</p>	<p>\$200,000 R</p>
<p>142 ECSU School of Aviation Provides additional operating funds for the newly established flight school at the Elizabeth City State University School of aviation. The flight school was established with an appropriation of \$300,000 R and \$300,000 NR in FY 2008-09.</p>	<p>\$300,000 R</p>	<p>\$300,000 R</p>

FY 09-10

FY 10-11

143 UNC-SA School of Filmmaking	\$500,000	R	\$500,000	R
Funds additional faculty, staff, and equipment at the UNC School of the Arts School of Filmmaking. Nonrecurring funds will be used to upgrade the theatre at the School of Filmmaking's Sound Stage in High Point and the film archives building on the main campus.	\$500,000	NR	\$500,000	NR
144 Faculty Recruiting and Retention Fund	\$2,000,000	R	\$2,000,000	R
Continues the Faculty Recruiting and Retention Fund that was initiated in FY 2006-07. The UNC President may use the fund to offer salary increases to recruit and retain faculty members in the 16 constituent universities.				
145 Special Focus Universities	\$2,000,000	R	\$2,000,000	R
Provides UNC-Asheville and UNC School of the Arts with \$1 million each year for their operating budgets because the mission and limited size of these institutions makes it difficult for them to generate sufficient funds from the student credit hour enrollment model and other sources to provide needed student services.(H.B. 505)				
146 FSU Military One-stop Center & BRAC Outreach	\$251,500	R	\$251,500	R
Funds a one-stop academic counseling center for military and Department of Defense personnel and their dependents at Fayetteville State University. Also funds the development of two 18-month online master's degree programs in Business Administration and Criminal Justice.(H.B. 988)				
147 UNC-P Academic Support	\$300,000	R	\$300,000	R
Funds additional academic counselors, advisors, and other student support positions to help UNC Pembroke improve its retention and graduation rates.				
148 WSSU Adult & Transfer Student Recruitment	\$475,700	R	\$475,700	R
Funds a joint program between Winston-Salem State University and Forsyth Technical Community College that will add advising center staff focused on community college students and create a Gateway Program to assist working adults with the transition to college.				
<hr/>				
Total Legislative Changes	(\$193,284,976)	R	(\$299,616,919)	R
	(\$126,065,944)	NR	(\$144,702,648)	NR
Total Position Changes	21.00		21.00	
Revised Budget	\$2,706,834,335		\$2,656,552,008	
<hr/>				

Special Provisions

2009 Session: SB 202

Department: UNC System

Section: 9.1

Title: Use of Escheat Fund for Need-Based Financial Aid Programs

Summary Sets the amount of Escheat Fund principal and interest (\$145.3 million) that can be used for need-based student financial aid in the UNC and Community College systems. Sets a goal of not reducing the Escheat Fund balance below \$200 million. For more information on the Escheat Fund, see the General Government section; Department of State Treasurer, Other Funds.

Section: 9.2

Title: The Education Access Rewards North Carolina Scholars Fund / Reduce Maximum Grant Awards for 2009-2010 Fiscal Year and Repeal EARN Scholars Fund in 2010-2011 Fiscal Year

Summary Reduces the EARN scholarship grant from \$4,000 to \$2,000 in FY 2009-10 and eliminates the grant in FY 2010-11. Sets the funding of the EARN scholarship program at \$16.2 million General Fund and \$37.5 million Escheat Fund in FY 2009-10.

Section: 9.3

Title: Transfers of Cash Balances to the General Fund

Summary Transfers to the General Fund the cash balances from the Future Teachers Financial Aid Fund (\$4.3 million) and the EARN Scholars Fund (\$9 million).

Section: 9.4

Title: Transfer Funding to the Roanoke Island Commission for Performing Arts

Summary Transfers \$461,646 from the UNC School of the Arts Summer Institute on Roanoke Island to the Roanoke Island Commission. These funds are to be used by the Roanoke Island Commission for summer music and drama performances.

Section: 9.5

Title: UNC Center for Alcohol Studies

Summary Continues the \$25 drivers license restoration fee for DWI offenders and directs the expenditure of \$537,455 of the receipts for the operating budget of the Center for Alcohol Studies. The \$25 fee previously funded the Center's endowment fund.

Section: 9.6

Title: Repeal Full Tuition Grant for Graduates of North Carolina School of Science and Mathematics who Attend a State University

Summary Phases out the UNC tuition grant for graduates of the North Carolina School of Science and Math beginning in FY 2011-12. The Seniors at the high school in FY 2009-10 will be the last class to receive this tuition benefit.

Section: 9.7

Title: **Closing the Achievement Gap/ Grants**

Summary Changes the cap on administrative costs from 15% to \$100,000 (18%) on the \$550,000 appropriation to the North Carolina Historically Minority Colleges and Universities Consortium for Closing the Achievement Gap. Mandates reporting requirements to the Joint Legislative Education Oversight Committee and to the Fiscal Research Division.

Section: 9.8

Title: **Amend Legislative Tuition Grant for Part-time Students**

Summary Amends from 6 to 9 the number of credit hours an undergraduate student must take each semester to qualify for a Legislative Tuition Grant. The nonrecurring appropriation that lowered the credit hours eligibility from 9 to 6 in FY 2008-09 was not renewed.

Section: 9.9

Title: **Graduate Nurse Scholarship Program for Faculty Production / Revert Part of Fund Balance**

Summary Transfers to the General Fund \$1 million of the cash balance from the Graduate Nurse Scholarship Program for Faculty Production (also known as Nurse Educators of Tomorrow Scholarship Loan).

Section: 9.10

Title: **Codify and Increase UNC Undergraduate Tuition Surcharge**

Summary Increases the undergraduate tuition surcharge from 25% to 50% beginning FY 2010-11. Clarifies that the surcharge will be waived if the degree program is disrupted by 1) military service, 2) serious medical debilitation, 3) short-term or long-term disability, or 4) other extraordinary hardships. (H.B.1422/H.B. 1533)

Section: 9.11

Title: **Enrollment Growth Reporting**

Summary Delays the UNC General Administration report of student enrollment projections to the Joint Education Legislative Oversight Committee and the Office of State Budget and Management from September 1 to October 15 of each even numbered year.

Section: 9.13

Title: **Transfer the North Carolina Center for the Advancement of Teaching to the State Board of Education**

Summary Transfers the North Carolina Center for Advancement of Teaching from UNC to the State Board of Education. Gives priority for admission to teachers with 15 years or less of teaching experience. Recodifies the program from G.S. 116-74.6 to G.S. 115C-296.5.

Section: 9.14

Title: **Coastal Demonstration Wind Turbines**

Summary Continues the UNC coastal sounds wind energy study with an appropriation of \$300,000 from federal Stimulus funds.

Section: 9.15

Title: **Amend Aid to Private Medical Schools**

Summary Repeals the state grants program for the medical schools at Duke University and Wake Forest University (G.S. 116-21.5) and replaces with a \$5,000 annual grant to each North Carolina resident attending the two private medical schools (G.S. 116-21.6).

Section: 9.16

Title: **Distinguished Professor Endowment Trust Fund / Prioritize Use of Funds**

Summary Requires the UNC Board of Governors to use the \$8 million base budget appropriation for distinguished professors to fund the state match for the C.D. Spangler Foundation grant before funding the current backlog of professorships.

Section: 9.18

Title: **Phase Out Future Teachers Scholarship Loan Program**

Summary Phases out the Future Teachers Scholarship Loan Program by 2011. The juniors and seniors in the program in FY 2009-10 will receive their grants until they graduate.

Section: 9.19

Title: **UNC Management Flexibility Reduction**

Summary Directs the UNC Board of Governors to allocate the management flexibility reduction on a programmatic basis and not on an across the board basis. Areas to review for reduction include low enrollment degree programs, centers and institutes, speaker series, and administrative personnel.

Section: 9.21

Title: **Reduce Number of Courses UNC Faculty and Staff May Take Tuition-Free**

Summary Amends G.S. 116-143(d) by reducing the number of courses that UNC faculty and staff may take tuition-free each year from three to two.

Section: 9.22

Title: **No Special Talent Tuition Waivers for Student Athletes**

Summary Eliminates the nonresident special talent waiver of tuition for athletics granted since 1983. The maximum tuition waiver for special talent is \$950.

Section: 9.23

Title: **Campus - Initiated Tuition Increases**

Summary Prohibits the UNC Board of Governors from raising tuition in the 2010-11 academic year due to the legislative tuition increase in the budget for that year.

Section: 9.24

Title: **Establish Joint Legislative Study Committee on State Funded Student Financial Aid**

Summary Establishes a 10-member Joint Legislative Study Committee on State Funded Student Financial Aid. The Committee will report to the 2011 General Assembly.

Section: 9.25

Title: **UNC Board of Governors Review Separation and Transition Policy for UNC Administrators**

Summary Mandates the UNC Board of Governors review the separation and transition policy for its top administrators.

Appropriations Subcommittee on Health and Human Services

Subcommittee Summary:

The Health and Human Services Subcommittee, consisting of 18 members of the General Assembly, review and recommend the budget for the 30 divisions and offices that make up the Department of Health and Human Services (DHHS). DHHS comprises four broad areas: health, human services, administrative, and support functions. DHHS also oversees 18 facilities, including developmental centers, psychiatric hospitals, alcohol- and drug-abuse treatment centers, schools, early intervention programs, and 3 neuromedical centers.

Subcommittee Membership:

Rep. Beverly Earle, Chair
 Rep. Verla Insko, Chair
 Rep. Bob England, Chair
 Rep. Jeff Barnhart
 Rep. Jean Farmer-Butterfield
 Rep. William Brisson
 Rep. Justin Burr
 Rep. Pearl Burris-Floyd
 Rep. Nelson Dollar
 Rep. Wil Neumann
 Rep. Randy Stewart

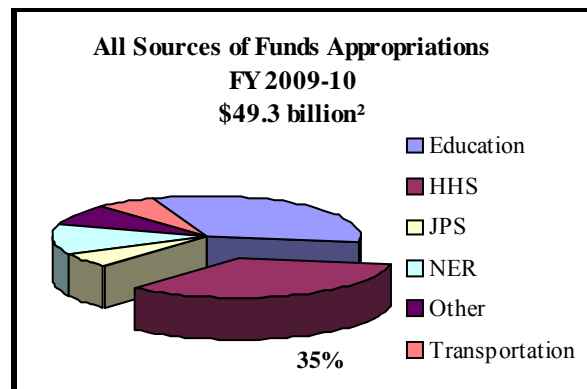
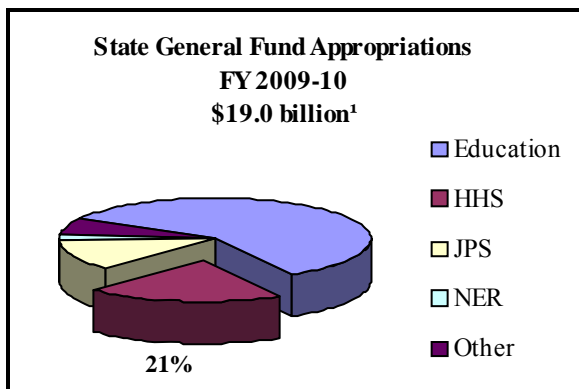
Sen. Doug Berger, Chair
 Sen. William Purcell, Chair
 Sen. Martin Nesbitt, Jr.
 Sen. Harris Blake
 Sen. Debbie Clary
 Sen. Charlie Dannelly
 Sen. James Forrester

Staff:

Lisa Hollowell, Team Leader
 Michele Alishahi
 Bryce Ball
 Melanie Bush
 Lee Dixon

Budget Comparison:

The combined budgets under the Health and Human Services Subcommittee total \$3.9 billion, or 21% of net General Fund appropriations and \$16.8 billion, or 34% of all funding sources reported for FY 2009-10. The following charts illustrate the Health and Human Services Subcommittee's total as compared to other appropriations subcommittee totals:



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Department of Health and Human Services

G.S. 143B-137.1 Department of Health and Human Services-Duties

Agency Description:

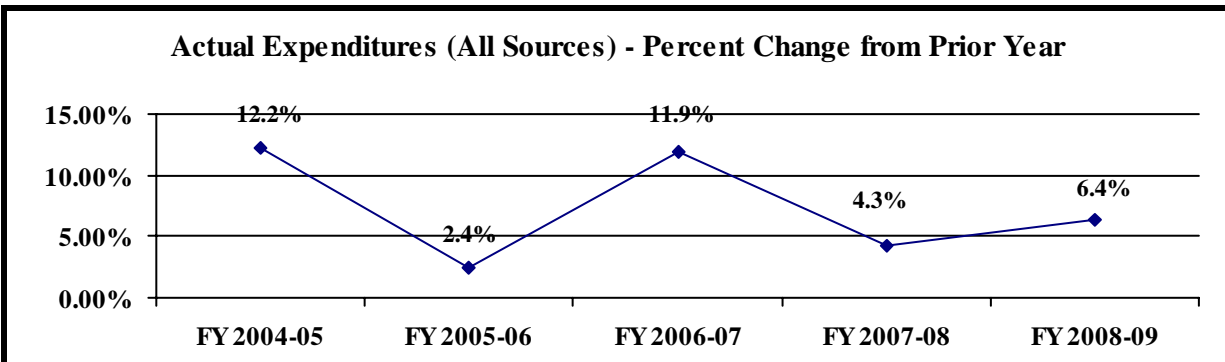
The North Carolina Department of Health and Human Services (DHHS) is the largest agency in State government. DHHS provides health insurance coverage for low-income children and the aged, blind, and disabled; public health prevention and education services; mental health and substance-abuse services; services for the developmentally disabled and people who are deaf, blind, or hard of hearing; services for the aging; and child-welfare and social services. DHHS also maintains State mental health, developmental disability, and substance-abuse treatment centers.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	16,807,346,814	17,888,636,902	15,240,924,049	15,155,615,671
Revenue	12,191,020,090	13,535,357,467	11,337,574,444	10,834,586,829
Net Appropriations	\$4,616,326,724	\$4,353,279,435	\$3,903,349,605	\$4,321,028,842
Positions (FTE)	18,626.49	18,934.55	18,298.80	18,421.30

Budget Overview:

The operating budget for the Department of Health and Human Services is \$15.2 billion in each year of the FY 2009-11 biennium. FY 2009-10 expenditures have decreased by 15% as compared to FY 2008-09, primarily due to budget reductions necessitated by the State's revenue shortfall. Additionally, the revenues are 16% less than FY 2008-09 due primarily to reductions within the Medicaid program. Receipts comprise 74% of the Department of Health and Human Services' budget and State general fund appropriations account for 26%. The majority of receipts are federal funds.

DHHS' actual expenditures increased by an average of 7.4% from FY 2003-04 through FY 2008-09, primarily due to growth in Medicaid caseloads and associated healthcare costs. This average is somewhat skewed due to federal enactment of Medicare Part D, which resulted in significant savings to the State on prescription drugs for the elderly and disabled.



Division of Aging and Adult Services

G.S. 143B-181.1 Division of Aging, Creation, Powers, and Duties

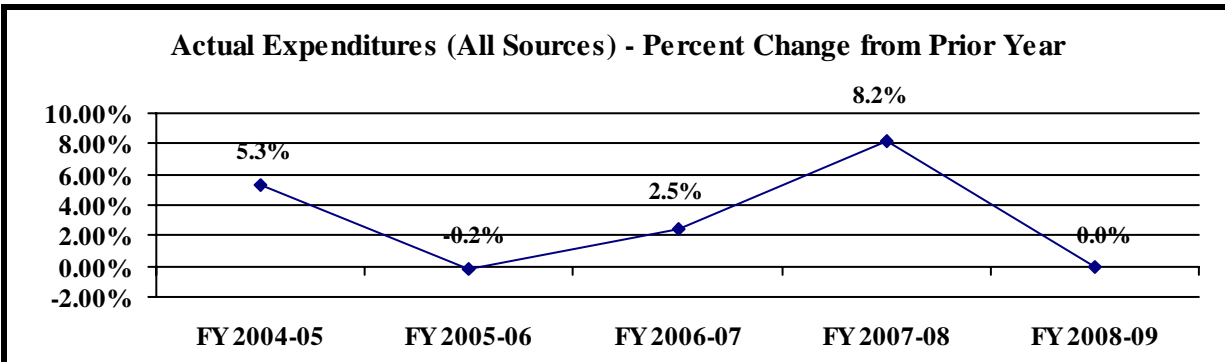
Agency Description:

The Division of Aging and Adult Services has two major functions – services for the elderly and services for disabled adults. The Division partners with the 17 Area Agencies on Aging and the 100 county departments of social services to deliver services for elderly and disabled adults.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	88,407,097	88,412,300	92,226,152	89,859,310
Revenue	52,504,637	54,381,215	56,326,255	52,577,281
Net Appropriations	\$35,902,460	\$34,031,084	\$35,899,897	\$37,282,029
Positions (FTE)	61.00	60.00	58.00	57.00

Budget Overview:

The budget for the Division of Aging and Adult Services is \$92.2 million for FY 2009-10 and \$89.9 million for FY 2010-11. The FY 2009-10 budget represents an increase of 4.3% from actual FY 2008-09 expenditures, primarily due to an increase in federal funds for congregate nutrition. Federal receipts comprise 61% of the budget and include Older Americans Act and the Social Services Block Grant funding. General fund appropriations represent 39% of the total budget. The Division’s budget has increased by an average of 3.2% between FY 2004-05 and FY 2008-09 due to inflationary increases.



Division of Aging and Adult Services

Budget Tables

The following table provides a breakdown of the Division of Aging and Adult Services' total General Fund operating budget.

**Division of Aging and Adult Services
(14411 - General Fund)**

	Certified FY 2009-10	Certified FY 2010-11
American Recovery and Reinvestment Act	3,628,923	
State Administration	2,745,759	2,583,522
Adult Services	2,580,253	2,581,858
Community-based Services	79,713,183	81,135,896
Elder Rights Program	3,524,531	3,524,531
Prior Year Earned Revenues	33,503	33,503
TOTAL	\$92,226,152	\$89,859,310
Revenue	(56,326,255)	(52,577,281)
NET GENERAL FUND APPROPRIATIONS	\$35,899,897	\$37,282,029

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

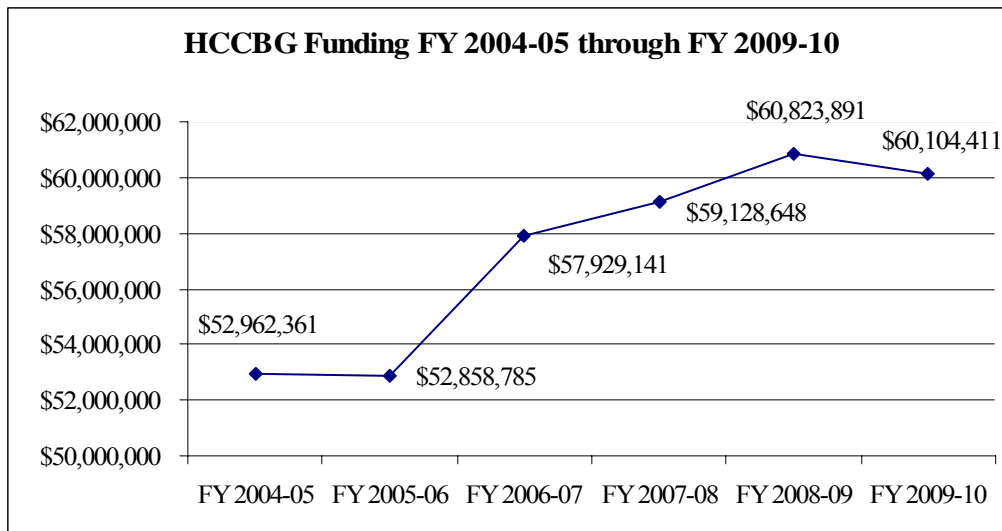
Division of Aging and Adult Services

Select Programs and Other Budgetary Information

**Home and Community Care Block Grant
FY 2009-10 Allocation: \$60,104,411**

G.S. 143B-181.1(a)(11) established a Home and Community Care Block Grant (HCCBG) for older adults to be administered by the North Carolina Division of Aging and Adult Services. The Division’s largest funding stream for services, HCCBG provides funding for in-home and community-based services administered through the Division of Aging and Adult Services and targeted in-home and community-based services previously administered by the State's Division of Social Services.

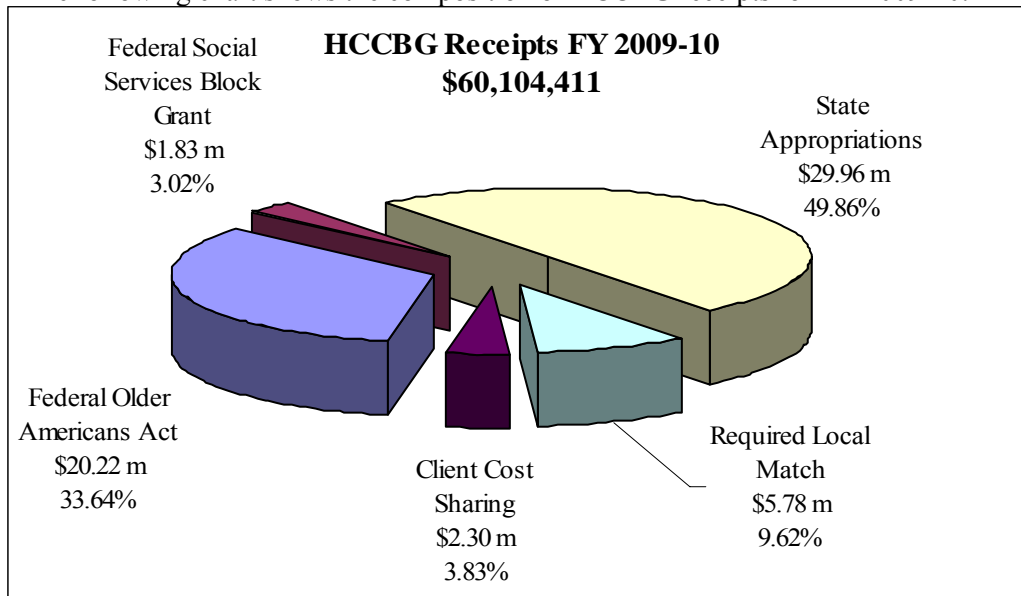
The following graph shows HCCBG funding from FY 2004-05 through FY 2009-10. Funding has increased by 13.5 percent increase over the past five years due to increases in General Fund appropriations and federal receipts.



Source: Division of Aging and Adult Services

Division of Aging and Adult Services

The following chart shows the composition of HCCBG receipts for FY 2009-10.



Source: Division of Aging and Adult Services

Additional Legislation

No relevant information to report.

Divisions of Blind, Deaf and Hard-of-Hearing

G.S. 143B Services for the Blind, Deaf and Hard of Hearing
 G.S. 62-157 Telecommunications Relay Service

Agency Description:

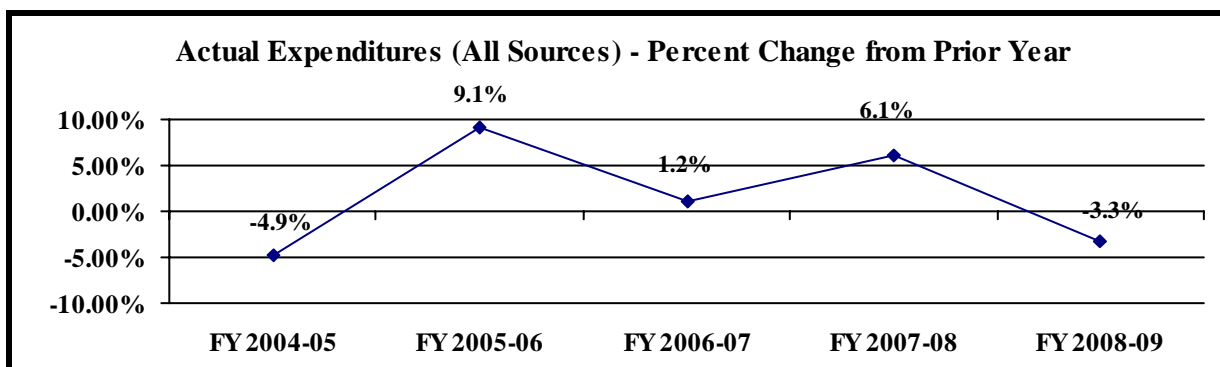
The Divisions of Services for the Blind (DSB) and Services for the Deaf and Hard-of-Hearing (DHH) provide assistive services to individuals who are hearing-, visually-, or speech-impaired; their families; the organizations that serve them; and the businesses that employ or serve them as customers. The Divisions' services include: vocational rehabilitation; independent living; medical eye care; special assistance for the blind; provision of assistive devices and access to telecommunications services; training and technical assistance to ensure compliance with disability laws; and family support and promotion of disability awareness.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	30,219,970	29,224,241	34,443,695	34,355,020
Revenue	19,898,625	19,391,695	25,711,813	25,705,289
Net Appropriations	\$10,321,345	\$9,832,546	\$8,731,882	\$8,649,731
Positions (FTE)	319.99	320.00	317.00	317.00

Budget Overview:

The combined budgets for the Divisions of Services for the Blind (DSB) and Services for the Deaf and Hard-of-Hearing (DHH) are \$34.4 million for both FY 2009-10 and FY 2010-11. The FY 2009-10 budget represents an increase of 17.9% from FY 2008-09 actual expenditures, driven by increased federal receipts. Net General Fund appropriations account for 25.4% of the Divisions' combined budgets. Revenues, mainly from federal Vocational Rehabilitation and Independent Living formula grants, Social Services Block Grant receipts, and surcharge receipts from the Telecommunications Trust Fund, support 74.6% of total FY 2009-10 budgeted expenditures.

The Divisions' annual expenditures increased by an average of 1.6% between FY 2004-05 and FY 2008-09. Variations over this period resulted from a combination of: decreased Special Assistance for the Blind assistance payments; increased salary and fringe benefit costs; and, increased Independent Living, Medical Eye Care, and Vocational Rehabilitation programmatic expenditures.



Divisions of Services for the Blind and Services for the Deaf and Hard-of-Hearing

Budget Tables

The following table provides a breakdown of the total General Fund operating budget for the Divisions of Services for the Blind and Services for the Deaf and Hard-of-Hearing by program.

Divisions of Services for the Blind and Services for the Deaf and Hard-of-Hearing (14450 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Division of Services for the Blind		
Management and Support	1,534,442	1,459,442
Special Assistance for the Blind	603,614	603,614
Independent Living	8,519,849	8,514,412
Rehabilitation Program	17,746,719	17,738,481
Business Enterprises	862,217	862,217
ARRA Programs (Vocational Rehabilitation and Independent Living Services - Older Blind Individuals)	2,008,571	2,008,571
Division Subtotal	31,275,412	31,186,737
Division of Services for the Deaf and Hard-of-Hearing		
Administration	487,055	487,055
Regional Resource Centers	2,681,228	2,681,228
Division Subtotal	3,168,283	3,168,283
Control Fund, Reserves, Prior Year Earned Revenue and Adjustments	-	-
TOTAL	\$34,443,695	\$34,355,020
Revenue	(25,711,812)	(25,705,289)
NET GENERAL FUND APPROPRIATIONS	\$8,731,883	\$8,649,731

The following table provides a breakdown of the funds administered by the Divisions of Services for the Blind and Services for the Deaf and Hard-of-Hearing, including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
DSB/DHH (14450 – General Fund)	34,443,695	34,355,020
DSB (24450 – Special Fund)	2,664,335	2,664,335
DSB (54450 – Enterprise Fund)	66,363	66,363
DSB (64450 – Trust Fund)	1,025	1,025
DSB/DHH (64451 – Trust Fund)	505,405	505,405
Hard-of-Hearing Trust Telecommunication (67425 – Trust Fund)	14,921,357	10,421,357
TOTAL	\$52,602,180	\$48,013,505

Divisions of Services for the Blind and Services for the Deaf and Hard-of-Hearing

Other Funds

Telecommunications Trust Fund (67425)

**Balance: \$11,902,259
(as of June 29, 2009)**

The Telecommunications Trust Fund was established by the General Assembly (G.S. 62-157) in 1989 as the Dual Party Relay System Fund. Receipts derived from surcharges on land and wireless telephones are used to support a contract for telecommunications relay services (Relay NC); purchase and distribute telecommunications and adaptive listening equipment to eligible recipients; and provide outreach and technical assistance to ensure that hearing and speech impaired individuals can access community resources.

G.S. 62-157 vests the Utilities Commission with regulation of the Telecommunications Trust Fund, including setting of the surcharge and determination of a reasonable reserve margin. The current surcharge, made effective January 2008, is nine cents (9¢) per month; of which, up to four cents (4¢) may be used to provide telecommunications devices to eligible recipients. The Commission currently recommends a fund balance reserve of \$9.6 million, representing six months of operating costs for the Telecommunication Access of North Carolina program (\$3.0 million); telecommunications relay services, and contract administration (\$6.6 million).

As shown in the following table, \$5 million was transferred from the Telecommunications Trust Fund to mitigate the General Fund revenue shortfall during FY 2008-09. Of remaining expenditures, the purchase and distribution of telecommunications and assistive devices accounted for 39.4 percent; telecommunications relay services accounted for 30.9 percent; and outreach, client, and agency services accounted for 31.2 percent. Although total expenditures and transfers exceeded annual revenues, the Telecommunications Trust Fund year-end balance exceeded the recommended reserve margin by \$2.3 million.

Divisions of Services for the Blind and Services for the Deaf and Hard-of-Hearing

Telecommunications Trust Fund—FY 2008-09

Beginning Balance	18,605,074
Revenue	
Telephone Surcharge	4,811,475
Cellular Telephone Surcharge	6,772,392
Total Revenue	11,583,867
Expenditures	
Transfer for Budget Shortfall	(5,000,000)
Equipment and Assistive Device Distribution	(5,031,930)
Telecommunications Services	(4,104,309)
Outreach, Client, and Agency Services	(4,150,305)
Total Expenditures	(18,286,544)
Liability	(138)
Balance June 29, 2009	\$ 11,902,259

Source: Division of Services for the Deaf and Hard of Hearing

Additionally, Section 10.56 of S.L. 2009-451 transfers \$4.5 million from the Fund's fund balance to support General Fund appropriations in FY 2009-10. This transfer reduces the beginning FY 2009-10 balance from \$11.9 million to \$7.4 million.

Significant Legislative Budget Actions

Regional Resource Centers

The Division of Services for the Deaf and Hard of Hearing operates seven Regional Resource Centers across the state, which provide:

- training and technical assistance for compliance with the Americans with Disabilities Act;
- alternative communication and family support training services;
- communications services (e.g. interpreting services, computer-assisted note taking, training and assistance for assistive equipment); and,
- disability awareness promotion.

The General Assembly reduced the Regional Resource Centers \$4.82 million General Fund appropriation by \$2.14 million and authorized DHHS to use wireless telephone surcharge receipts to support the Centers' operations.

(S.L. 2009-451, Sec. 10.56)

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 10.56 DIVISION OF SERVICES FOR THE DEAF AND THE HARD OF HEARING/FUNDS TRANSFER AND APPROPRIATION

Divisions of Services for the Blind and Services for the Deaf and Hard-of-Hearing

Section 10.56.(a) notwithstanding the authorized uses of funds and reserve margin recommendations set forth by G.S. 62-157 to direct the transfer \$4.5 million of Telecommunications Trust fund balance to support General Fund appropriations for FY 2009-10.

Section 10.56.(b) also authorizes DHHS to transfer up to \$1.5 million of Telecommunications Trust fund balance for the replacement of the legacy data collection and case management systems utilized by the Divisions of Services for Blind and Deaf and Hard-of-Hearing, and Division of Vocational Rehabilitation Services. DHHS is directed to utilize available federal funds first, supplementing project funding with Telecommunications Trust Fund receipts as necessary.

Sections 10.56.(c-e) direct DHHS to fund Regional Resource Centers from the Telecommunications Trust Fund; clarify that DHHS administers the Regional Resource Centers; and direct the State Controller to transfer wireless surcharge receipts to the General Fund to cover authorized requirements for Center operation.

Additionally, Section 10.56.(f) requires DHHS to petition the Utilities Commission to increase landline and wireless surcharges if authorized fund balance transfers and FY 2009-10 program expenditures reduce the Telecommunications Trust Fund balance beyond the reasonable reserve margin, as determined by the Utilities Commission.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Division of Central Management and Support

G.S. 143B, Article 3 Department of Health and Human Services

Agency Description:

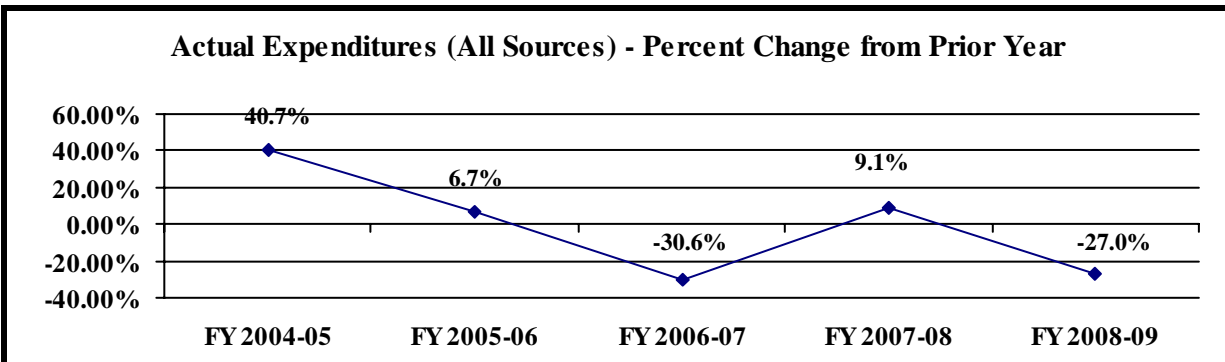
The Division of Central Management and Support (DCMS) implements policies, oversees Divisions' administration of programs, and provides agencywide administrative support. Administrative services include legal counsel, fiscal management, governmental and community relations, human resources, property management, coordination of information technology projects and other special initiatives. The Office of Rural Health and Community Care also administers health care grant programs and activities serving low-income, uninsured persons, Medicaid and Health Choice enrollees.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	217,884,213	159,072,905	255,344,091	226,686,336
Revenue	133,603,431	104,596,617	180,327,379	152,513,997
Net Appropriations	\$84,280,782	\$54,476,288	\$75,016,712	\$74,172,339
Positions (FTE)	758.00	732.25	712.25	712.25

Budget Overview:

The budget for the Division of Central Management and Support is \$255.3 million for FY 2009-10 and \$226.7 million for FY 2010-11. The FY 2009-10 budget represents a 60.5% increase from FY 2008-09 actual expenditures, mainly due to \$92 million of additional funds from the American Recovery and Reinvestment Act. Net General Fund appropriations account for 29.4% of the Division's budget. Revenues, principally federal Medicaid, Title IV, Weatherization Assistance, and block grant receipts, support 70.6% of total budgeted expenditures.

The Division's annual expenditures decreased by an average of 0.2% between FY 2004-05 and FY 2008-09. Variations over this period primarily resulted from: More at Four expansions and its transfer to the Department of Public Instruction in FY 2006-07; appropriations for Rural Health programs and grants; and lapsed salary and other operating reductions in FY 2008-09.



Division of Central Management and Support

Budget Tables

The following table provides a breakdown of the Division of Central Management and Support’s total General Fund operating budget by program or purpose.¹

Division of Central Management (14410 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
Departmental Management & Administration	17,730,268	18,485,268
Controller	17,841,702	17,841,702
Medicaid Management Information Systems	397,864	397,864
Citizen Services	1,415,345	1,415,345
NC Council on Developmental Disabilities	2,873,783	2,873,974
Human Resources	3,241,745	3,241,745
Economic Opportunity	20,900,854	20,900,854
Residential Energy Efficiency Services	9,500,237	9,501,622
Information Resource Management	57,940,835	57,940,835
DIRM - Planning and Development	806,800	806,800
Research Demonstration and Rural Health	28,743,192	25,309,552
ARRA Programs (Weatherization Assistance and Community Services Block Grant)	91,957,960	65,977,269
Control Fund, Reserves, Prior Year Earned Revenue and Adjustments	1,993,506	1,993,506
TOTAL	255,344,091	226,686,336
Revenue	(180,327,379)	(152,513,997)
NET GENERAL FUND APPROPRIATIONS	\$75,016,712	\$74,172,339

The following table provides a breakdown of the funds administered by the Division of Central Management, including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
DCM (14410 — General Fund)	255,344,091	226,686,336
Central Administration Trust (24410 — Special Fund)	8,546,324	7,895,437
Central Administration Trust (64410 — Trust Fund)	1,742,337	1,538,885
Central Administration Trust Interest (64412 — Trust Fund)	662,161	-
TOTAL	\$ 266,294,913	\$ 236,120,658

¹ Certified FY 2010-11 totals reflect the budgeting of ARRA Community Services Block Grant (CSBG) receipts in FY 2009-10, as enacted by the General Assembly.

Division of Central Management and Support

Other Funds

Health and Wellness Trust Fund

Balance: \$63,876,508
(as of June 29, 2009)

The Health and Wellness Trust Fund (HWTF), established by the General Assembly in 2000 (S.L. 2000-147), is a special revenue fund used to administer a portion of NC's share of the national Tobacco Master Settlement Agreement (MSA) of 1998 (states' Medicaid lawsuits against the tobacco industry for recovery of tobacco-related health care costs). The General Assembly established the HWTF along with an 18-member Health and Wellness Commission to administer the fund.

The HWTF is authorized per G.S. 147-86.30, including the mandate to develop a comprehensive plan to finance programs and initiatives to improve the health and wellness of North Carolinians. In 2004, G.S. 147-86.30 was amended (S.L. 2004-179) to direct that a portion of HWTF receipts be used for debt service requirements for certain State health-related facilities. The following table provides historical and current budget information including various initiatives funded by the HWTF:

Health and Wellness Trust Fund

	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
REVENUES				
Principal (Fund Balance)	66,226,223	77,009,509	63,876,508	29,513,326
Projected MSA Payment	39,388,390	43,796,728	33,305,162	33,781,880
Interest/Other Income	3,175,196	3,235,891	1,826,517	694,464
TOTAL	\$ 109,389,809	\$ 124,042,127	\$ 99,008,188	\$ 63,989,671
EXPENDITURES				
Debt Service	(6,353,724)	(10,722,026)	(21,689,672)	(21,150,935)
Administration	(742,682)	(727,764)	(939,233)	(878,292)
MSA Legal Services	(87,461)	(92,759)	(102,543)	(100,000)
Tobacco-Use Prevention	(15,992,366)	(13,097,694)	(19,970,801)	(20,110,308)
Eliminating Health Disparities	(3,337,242)	(4,676,373)	(3,999,999)	(4,000,000)
Obesity Prevention	(2,139,845)	(1,528,440)	(1,903,889)	(1,635,904)
Medication Assistance Program	(1,487,884)	(1,790,339)	(3,733,803)	(2,249,627)
Oral Health Initiative	-	-	(800,000)	(800,000)
NCRx	(1,500,000)	(1,662,973)	(1,337,027)	(1,250,000)
ChekMeds	(483,721)	(1,138,877)	(1,188,701)	(1,188,701)
Governor's Quality Initiative	(99,818)	(290,478)	(809,704)	-
Study Committees	(155,557)	(39,606)	(119,488)	-
High Risk Pool (H.B.265)	-	-	(5,000,000)	-
Rural HOPE	-	-	(500,000)	(500,000)
Allied Health - Workforce	-	-	(500,000)	(500,000)
Development	-	-	(1,600,000)	(1,200,000)
Mental Health	-	-	(300,000)	-
Health Information Technology (HITC)	-	-	(5,000,000)	(5,000,000)
Transfer to General Fund	-	(24,398,290)	(5,000,000)	(5,000,000)
TOTAL	\$ (32,380,300)	\$ (60,165,619)	\$ (69,494,861)	\$ (60,563,766)
ENDING BALANCE	\$ 77,009,509	\$ 63,876,508	\$ 29,513,326	\$ 3,425,904

Source: Health and Wellness Trust Fund

Division of Central Management and Support

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

The federal Community Services Block Grant (CSBG) Program, created by the Omnibus Budget Reconciliation Act of 1981, is administered by states through networks of local sub-recipient agencies. These agencies, primarily Community Action Agencies (CAAs) and Limited Purpose Agencies (LPAs), provide a range of services to mitigate poverty within communities and help low-income persons achieve self-sufficiency. The Office of Economic Opportunity (OEO) administers North Carolina’s program.

Community Services Block Grant (CSBG) FY 2009-10 Allocation: \$44,769,053

The General Assembly appropriated \$44,769,053 of federal CSBG funds for FY 2009-10. Annual federal CSBG appropriations and carry-forward comprise \$18,525,929 of total CSBG funding in FY 2009-10, and one-time American Recovery and Reinvestment Act appropriations comprise \$26,243,124. Both funding sources are intended to alleviate the consequences of poverty, promote self-sufficiency among low-income populations, and revitalize low-income communities.

Approximately 95 percent of the annual federal CSBG block grant is allocated for grants to CAAs and LPAs. The OEO retains approximately five percent for grant administration. In contrast, per federal requirements, 99 percent (\$26 million) of the CSBG ARRA funding is allocated to CAAs and LPAs, and 1 percent (\$262,431) is reserved to improve benefits coordination for federal, state, and local programs. Sec. 10.78 of S.L. 2009-451 vests the Division of Social Services with development of benefits coordination initiatives. (Sec. 10.78, S.L. 2009-451)

The table that follows provides CSBG actual and budgeted expenditures by purpose.

Community Services Block Grant				
	Actual	Actual	Certified	Certified
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Community Action Agencies	13,816,898	13,887,248	16,062,653	41,341,873
Limited Purpose Agencies	616,309	730,908	892,370	2,238,453
NC DHHS/OEO	640,395	662,864	892,369	926,296
Division of Social Services	0	0	0	262,431
TOTAL	\$15,073,602	\$15,281,020	\$17,847,392	\$44,769,053

Division of Central Management and Support

Residential Energy Conservation Assistance Program FY 2009-10 Budget: \$75,477,504

The Office of Economic Opportunity administers the Residential Energy Conservation Assistance Program, as authorized by G.S. 143B-216.72A through G.S. 143B-216.72C. The Residential Energy Conservation Assistance Program is comprised of two federally-funded programs that provide energy assistance to low income households – the Weatherization Assistance Program (WAP) and Heating and Air Repair and Replacement Program (HARRP).

Under WAP, local weatherization service providers install energy efficiency measures in the homes of eligible low-income families to lower energy usage and costs. Weatherization funds are derived from federal Department of Energy formula allocations and Low-Income Home Energy Assistance Block Grant (LIHEAP) appropriations. In contrast, HARRP focuses on longer-term, more costly energy efficiency measures, including the repair and replacement of heating and air systems. HARRP is funded solely through LIHEAP appropriations.

The Weatherization Assistance Program received a significant increase in funding through the American Recovery and Reinvestment Act (ARRA), totaling \$132 million. Approximately 50 percent, or \$66 million, of ARRA weatherization funding is allocated for FY 2009-10. Given this substantial increase in funding, the General Assembly reduced the amount allocated to WAP from the LIHEAP block grant by 84%, or \$6.3 million, from FY 2008-09. Including non-recurring ARRA receipts, the Residential Energy Conservation Assistance Program budget for FY 2009-10 is \$75.5 million, an increase in funding of 487 percent from FY 2008-09.

Five full-time equivalent positions currently support the Weatherization Assistance (2.5 FTE) and Heating Air Repair and Replacement (2.5 FTE) programs. Due to the significant increase in funding, short-term staffing will also support the ARRA weatherization program.

Additional Legislation

S.L. 2009-446 (HB 1481) ENERGY TO COMMERCE; OEO TO ENERGY.

This act amends G.S. 143B-216.72A through G.S. 143B-216.72C to transfer the Residential Energy Conservation Assistance Program, via type 1 transfer, from the Office of Economic Opportunity to the Department of Commerce. As delineated by G.S. 143A-6, all powers, duties, functions, personnel, appropriations, and other program resources are transferred from OEO to Commerce.

Division of Child Development

G.S. 131D-1 Inspection and Licensing of Facilities
 G.S. 143B-168.3 Child Care Commission
 G.S. 143B-168.12 Early Childhood Initiatives/North Carolina Partnership for Children

Agency Description:

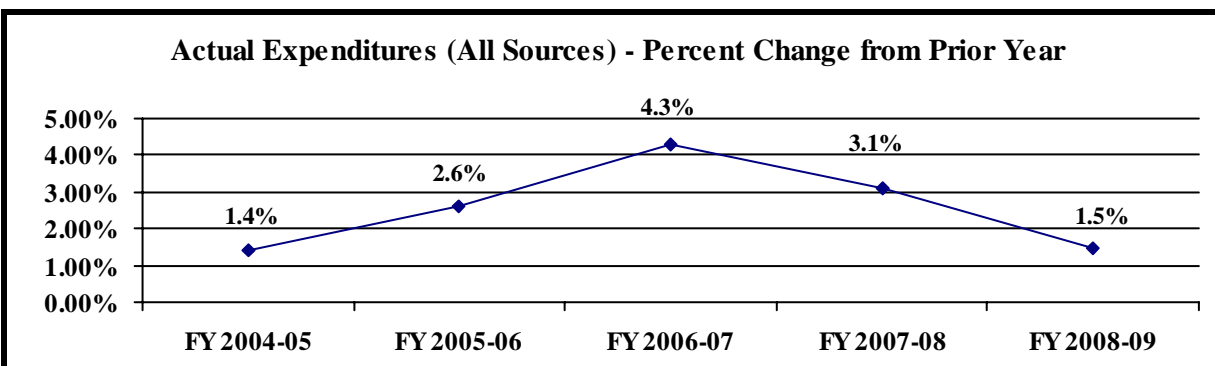
The Division of Child Development is tasked with early childhood services, including increasing access to high-quality child care for low-income families, ensuring the safety of children in child-care arrangements, increasing the availability of high-quality child care in North Carolina, and ensuring that young children enter school ready to learn.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	622,093,159	631,175,322	663,469,134	597,564,218
Revenue	316,214,552	358,657,321	406,373,558	328,380,256
Net Appropriations	\$305,878,607	\$272,518,001	\$257,095,576	\$269,183,962
Positions (FTE)	295.75	299.75	300.75	300.75

Budget Overview:

The budget for the Division of Child Development is \$663.5 million in FY 2009-10 and \$597.6 million in FY 2010-11. The FY 2009-10 budget represents a 5% increase from FY 2008-09 actual expenditures, due to increased federal receipts through American Recovery and Reinvestment Act for FY 2009-10. Net General Fund appropriations account for 39% of the Division’s budget, while 61% is derived from receipts, federal Child Care Development Fund (CCDF), Temporary Assistance for Needy Families Block Grant, and American Recovery and Reinvestment Act funds.

The Division’s actual expenditures grew an average of 2.5% between FY 2004-05 and FY 2008-09, a result of increased federal spending for subsidized child care and increased State appropriations for Smart Start.



Division of Child Development

Budget Tables

The following table provides a breakdown of the Division of Child Development’s total General Fund operating budget by program or purpose.

Division of Child Development (14420 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
General Administration	21,662,966	21,483,437
Early Childhood Initiatives/ NC Partnership for Children	193,672,975	193,307,975
Child Care Subsidy Services & Quality Initiatives **	448,132,968	382,771,465
TOTAL	\$663,468,909	\$597,562,877
Revenue**	(406,373,558)	(328,378,915)
NET GENERAL FUND APPROPRIATIONS	\$257,095,351	\$269,183,962

** The FY 2009-10 Certified Budget includes \$67,541,503 in American Recovery and Reinvestment Act Funds (ARRA).

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

Child-Care Subsidies (American Recovery and Reinvestment Act – ARRA)

The General Assembly appropriated \$67.5 million in federal ARRA funds in FY 2009-10 to reduce the number of children on the child-care subsidy waiting list and to improve the quality of child care services statewide; an estimated 13,000 or more children currently on the waiting list are projected to receive subsidies. ARRA funds will supplement existing Child Care Development Fund Block Grant and State funds and follow existing block grant and State requirements, including a four percent allocation to be used to improve the quality of child care.

Smart Start

The General Assembly reduced General Fund appropriations for Smart Start by \$15.9 million for FY 2009-10 and \$16.3 million for FY 2010-11 on a recurring basis. This represents an 8 percent reduction to The North Carolina Partnership Program, Inc. (NCPC). The remaining budget for FY 2009-10 is \$193.7 million and FY 2010-11 is \$193.3 million. NCPC is a public-private initiative providing early childhood education funding and support to the State’s 100 counties.

See Select Programs and Other Budgetary Information.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 10.4 FACILITATE AND EXPEDITE USE OF CHILD CARE SUBSIDY FUNDS

Division of Child Development

The section directs the Division of Child Development to lessen requirements that families must meet to receive child care subsidies. To do so, the Division is allowed to adopt temporary rules as follows:

- Allow families to continue to receive child care subsidies for up to six months following the loss of employment;
- Allow individuals recently finishing school to have longer job search periods in which they continue to receive subsidy prior to obtaining employment; and
- Reduce the number of hours a parent or guardian is required to work to qualify for child care subsidy.

This section applies to all funds administered through the Division of Child Development for child care subsidies, including the Child Development Block Grant, American Recovery and Reinvestment Act funds, State funds, and Smart Start funds.

Select Programs and Other Budgetary Information

Subsidized Child Care Program

The Subsidized Child Care Program provides subsidies for low-income families with children ages birth through 12 (up to age 17 for the developmentally disabled). Families whose income is 75 percent or less of the state median income (adjusted for family size) and who meet work, educational pursuit, or work search requirements are eligible to receive subsidies. Participating parents share in child care costs by paying 8, 9, or 10 percent of their income, depending on income and family size. In FY 2008-09, parents statewide paid a total of \$66.3 million as their share of the cost of subsidized childcare.

During FY 2008-09, the program served 152,895 children¹, with an estimated 25,000+ children waiting for subsidy. The following table provides FY 2008-09 subsidy expenditures by source of funds.

Source of Funds	FY 2008-09 Expenditures
State Net General Fund Appropriations	43,833,949
More At Four	1,113,630
Child Care Development Fund Block Grant	148,400,007
Temporary Assistance for Needy Families Block Grant	168,852,741
Social Services Block Grant	3,150,000
Smart Start	78,100,000
Parent Contributions	66,300,000
Total	\$509,750,327

Source – Division of Child Development Monthly Statistical Report, June 2009

¹ The 152,895 represents an unduplicated count of children served; of the total, 34,800 were paid for from Smart Start funds and 148,945 from other funds, representing a total duplicated count of 183,355 children.

Division of Child Development

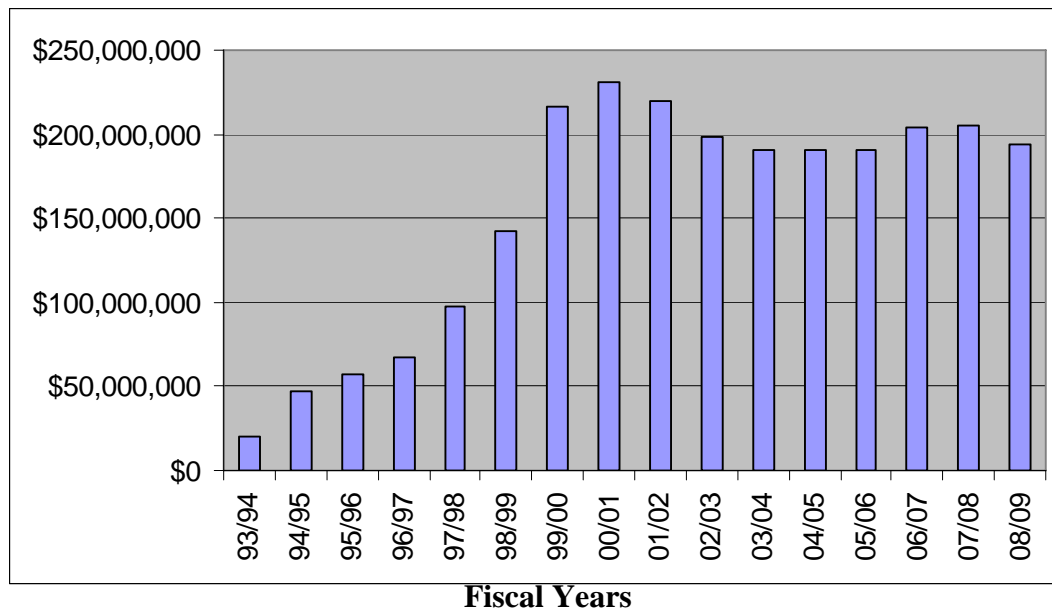
Smart Start

Smart Start is a system that brings together the necessary resources and people to ensure that every child has all they need for healthy growth and development (Smart Start’s Annual Report to the North Carolina General Assembly, 2009). The effort was initiated by Governor Jim Hunt in 1993. The North Carolina Partnership for Children, Inc. (NCPC) was created by the General Assembly in 1993 through G.S. 143B-168.11-143.168.15, which define the responsibilities of NCPC, Inc. and the local partnerships. NCPC is governed by a board of 23 members (none of whom may be serving in the General Assembly). This is the administrative arm of the Smart Start effort for the State. According to the North Carolina General Statutes, NCPC is responsible for “the development of a comprehensive, long-range strategic plan for early childhood development and the provision, through public and private means, of high-quality early childhood education and development of services for children and families.” By design, local partnerships have flexibility and discretion in developing their plans. G.S. 143B-168.15 directs that 30 percent of funds must be spent on child care subsidies and a total of 70 percent of funding is to be spent for Local Partnerships’ direct services.

There are 78 local partnerships, which representing all 100 counties and provide child care subsidies and related services to improve child care quality, family-support programs, and health programs throughout the State. NCPC is required to raise private funds to supplement State funding; in 2008, NCPC raised \$31 million in cash and in-kind donations (*Annual Report to the General Assembly – 2009*) and since its inception NCPC has raised \$350 million in cash and in-kind donations.

The following chart shows the history of the State funding for NCPC.

North Carolina Partnership for Children Funding History



Division of Child Development

Additional Legislation

S.L. 2009-244 (SB 1030) AFTER-SCHOOL CHILD CARE PROGRAMS

This act exempts public schools from meeting the safety standards required for playgrounds within the licensing rules set forth by Division of Child Development. The playground safety standards are part of the minimum licensing requirements for child care and after school programs. Prior to this change, if a school did not meet this standard, its license would note that fact, and after-school children would not be allowed to play in that area or on particular equipment.



Office of Education Services

G.S. 115C Education of Children with Disabilities
 G.S.143B Educational Programs in Residential Schools
 G.S.143B-216.41 Pupils Admitted; Education

Agency Description:

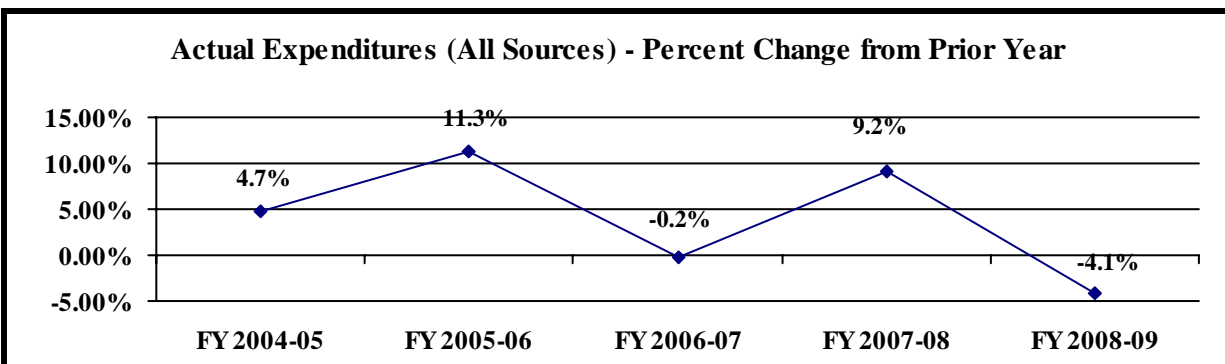
The Office of Education Services (OES) serves as the central office for the State's three residential schools for the Deaf and Blind. OES also administers the Early Intervention/Preschool, Outreach, and Resource Support programs for hearing- or visually-impaired children and students, their families, and their educators. In addition, OES assists DHHS educational programs located within psychiatric hospital schools, mental health residential schools, and developmental disabilities centers, through professional and curriculum development.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	40,459,128	38,818,675	38,913,916	38,913,916
Revenue	3,096,284	2,552,267	2,244,519	2,069,198
Net Appropriations	\$37,362,844	\$36,266,408	\$36,669,397	\$36,844,718
Positions (FTE)	636.87	636.87	604.87	604.87

Budget Overview:

The budget for OES is \$38.9 million for both FY 2009-10 and FY 2010-11. The FY 2009-10 budget represents an increase of 0.2% from FY 2008-09 actual expenditures. Net General Fund appropriations account for 94.2% of the Office's budget. Revenues, primarily from the Department of Public Instruction for student transportation at the schools for the deaf and the blind, support 5.8% of FY 2009-10 budgeted expenditures.

OES's annual expenditures increased an average of 4.2% from FY 2004-05 to FY 2009-10, due to legislative salary increases. However, actual expenditures decreased 4.1% from FY 2007-08 to FY 2008-09, due to lapsed salaries and office-wide operating reductions totaling approximately \$2.1 million.



Office of Education Services

Budget Tables

The following table provides a breakdown of the Office of Education Services total General Fund operating budget by program.

Office of Education Services (14424 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Western NC School for the Deaf	9,625,555	9,625,555
Eastern NC School for the Deaf	10,322,503	10,322,503
Governor Morehead School	7,606,778	7,606,778
Governor Morehead Preschool	3,993,850	3,993,850
Early Intervention Services – Preschool	3,973,548	3,973,548
Family Resource Centers	966,189	966,189
Central Administration	2,425,493	2,425,493
Control Fund, Reserves, Prior Year Earned Revenue and Adjustments	-	-
TOTAL	\$38,913,916	\$38,913,916
Revenue	(2,244,519)	(2,069,198)
NET GENERAL FUND APPROPRIATIONS	\$36,669,397	\$36,844,718

The following table provides a breakdown of the funds administered by the Office of Education Services, including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
OES (14424 – General Fund)	38,913,916	38,913,916
OES (24424 – Special Fund)	421,568	421,568
OES (64424 – Trust Fund)	260,595	85,274
TOTAL	\$39,596,079	\$39,420,758

Other Funds

The Office of Education Services administers funds derived from private donations and other receipts for extracurricular activities and student scholarships at the Governor Morehead School for the Blind, North Carolina School for the Deaf, and Eastern North Carolina School for the Deaf.

Office of Education Services Trust Fund (64424)

**Balance: \$361,046
(as of June 29, 2009)**

The Office of Education Services Trust Fund supports athletics, yearbook, library, arts, music, student government, vocational, and other extracurricular activities offered at the residential

Office of Education Services

schools. The Fund also includes private donations designated for student scholarships or school operations, school discretionary funds, and funds reserved for vending services. As shown, donations and receipts exceeded expenditures from the Education Services Trust Fund by \$21,038 for FY 2008-09, thereby increasing the year-end fund balance to \$361,046.

Education Services Trust Fund - FY 2008-09

Beginning Balance	340,008
Revenue	79,411
Expenditures	(58,373)
Balance (June 29, 2009)	\$ 361,046

Significant Legislative Budget Actions

Residential Schools for the Blind and Deaf

The General Assembly reduced General Fund appropriations for the Governor Morehead School for the Blind, North Carolina School for the Deaf, and Eastern North Carolina School for the Deaf by \$3.4 million for FY 2009-10. Recurring reductions, including operating reductions and the elimination of thirty vacant school positions, total approximately \$3.25 million. Additionally, the General Assembly reduced FY 2009-10 General Fund appropriations by \$175,321, and transferred an equivalent amount of fund balance from the Office of Education Services Trust Fund to support schools' operations.

FY 2009-10 General Fund appropriations for the residential schools total \$26.7 million. The FY 2009-10 budgets represent a 13% (\$4 million) decrease from respective FY 2008-09 budgets, and a 1.8% (\$488,403) increase from total FY 2008-09 expenditures.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Residential Schools for the Deaf and Blind

The Office of Education Services operates two residential schools for the deaf and one residential school for the blind: North Carolina School for the Deaf (NCSD) in Morganton, opened 1884; Eastern North Carolina School for the Deaf (ENCSD) in Wilson, opened 1964; and Governor Morehead School for the Blind (GMS) in Raleigh, opened 1845. Operation of the schools is authorized under G.S. 143B-216.40 and G.S. 143B-164.10, respectively.

Each school provides residential and day instruction to students, ages five through 22, whose Individualized Education Plans (IEPs) call for modified instruction in an environment that mitigates obstacles to learning. Students receive instruction in the North Carolina Standard Course of Study, as well as orientation and mobility, audiological, occupational, physical, and

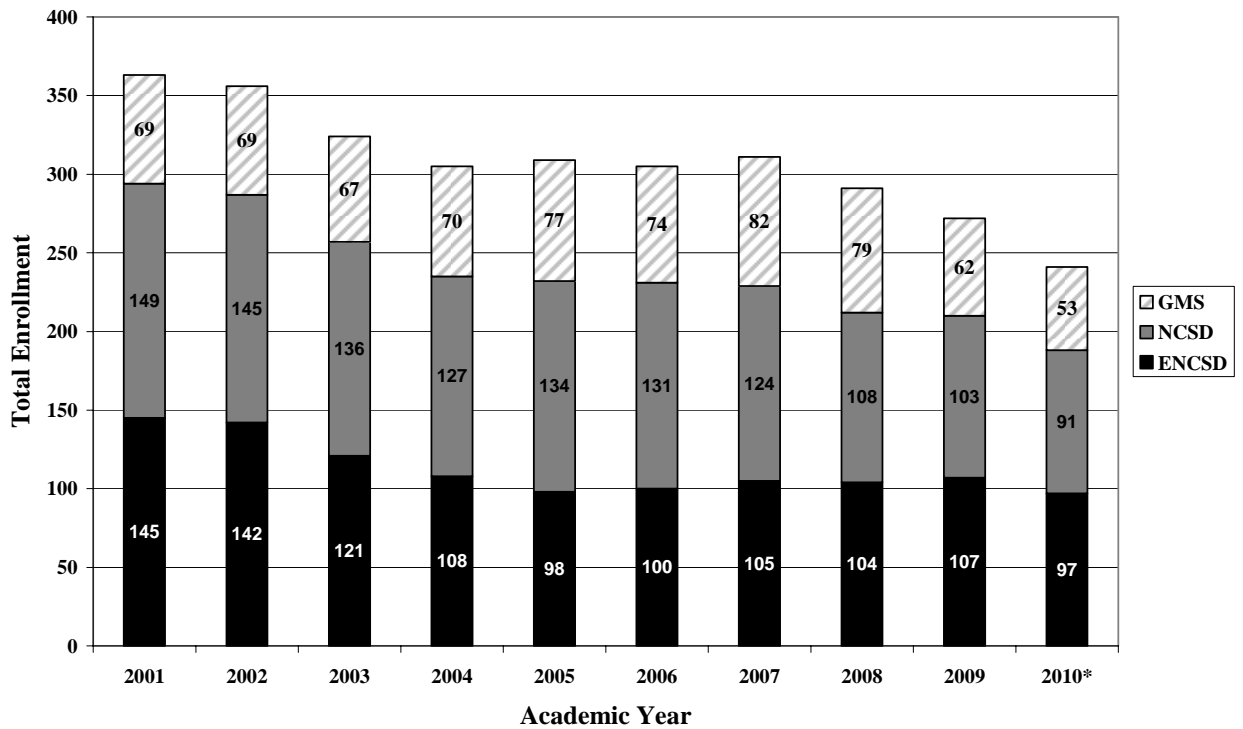
Office of Education Services

speech language therapy services, as outlined in their IEPs. Nursing and medical care are available to students, utilizing telemedicine services offered through East Carolina University Medical Center.

As shown in the following chart, total enrollment declined by 91 students from the 2000-01 to 2008-09 academic years, a decrease of 25.1%. This continuing trend is due to gradually increasing LEA capacities to serve hearing and visually-impaired students, as well as federal policy changes pertaining to student placements. Specifically, the Individuals with Disabilities Education Act (IDEA) requires placement of disabled students in the ‘least restrictive environment.’ Although IDEA requires that states provide a full continuum of services to meet students’ educational needs, ranging from the regular classroom with supplementary aids to education in a residential facility, preference is given to placement in a regular classroom among their peers.

The following chart provides the history of enrollment in the State’s three schools.

Enrollment in OES K-12 Instructional Programs



*YTD enrollment through September 2009

The tables that follow illustrate the impacts of changing student populations and budgetary reductions on per pupil average costs. Generally, per pupil average costs increase as student populations decline and instructional, administrative, and residential/facility resources remain constant. As shown, per pupil costs increased for both NCSD and GMS in FY 2008-09, which corresponds with decreasing students. However, per pupil costs for residential students at

Office of Education Services

ENCSD decreased by 6.3% from FY 2007-08 to FY 2008-09, mainly due to administrative and other operating reductions imposed to manage the State’s FY 2008-09 revenue shortfall.

OES K-12 Student Population

	FY 2007-08		FY 2008-09	
	Day	Residential	Day	Residential
NCSD	32	76	29	74
ENCSD	18	86	22	85
GMS	19	60	16	46

OES K-12 Per Pupil Average Costs

	FY 2007-08		FY 2008-09	
	Day	Residential	Day	Residential
NCSD	\$ 68,428	\$ 97,161	\$ 69,544	\$ 97,319
ENCSD	\$ 69,044	\$ 100,282	\$ 68,773	\$ 93,971
GMS	\$ 66,618	\$ 93,137	\$ 85,958	\$ 122,263

Resource Support

To build local education agencies’ (LEAs) capacities to serve hearing-impaired students, the Resource Support Program offers on-site, in-classroom mentoring and technical assistance upon LEA request. Services include: student observation/evaluation; direct student instruction; consultation with parents and educators regarding IEP goals; lesson plan review; and instructional workshops.

The Resource Support Program provided capacity building services to 62 LEAs, trained a total of 705 professionals in 123 training sessions, and conducted 56 child evaluations during FY 2008-09. The total cost of the Resource Support Program in FY 2008-09 was \$350,605.

Governor Morehead School Outreach

GMS provides outreach services to students, parents, and LEAs through a cooperative agreement with the Division of Public Instruction. Services include: technical support and staff training for LEAs; sponsorship of an annual conference on visual impairment; housing of instructional materials on the GMS campus; and collaboration with North Carolina Central University’s Visual Impairment Training Program. The GMS Short-Term Expanded Core Curriculum program also provides orientation, mobility, and independent living skills instruction to approximately 70 children annually, through weekly sessions on the GMS campus.

During FY 2008-09, GMS Outreach provided intervention services to 324 students from 89 of the State’s 115 LEAs and conducted 29 training sessions with 281 participants. The total cost of the GMS Outreach Program in FY 2008-09 was \$613,511.

Office of Education Services

Governor Morehead Preschool for Visually Impaired Children

The Governor Morehead Preschool (GMP) program, first offered in 1987, provides early intervention services to visually impaired children, from birth to age five, to facilitate orientation and mobility skills development and promote receptivity to modes of instruction, primarily Braille. GMP early interventionists provide itinerant services (delivered to children and families in-home or at the child's day care center) coordinated through the base office on the GMS campus and seventeen (17) satellite locations across the state. GMP services are accessed via referral and ophthalmological documentation of a service need.

The GMP served approximately 811 children in FY 2008-09, an increase of 73 children from FY 2007-08. The total cost of the Governor Morehead Preschool Program in FY 2008-09 was \$4.2 million.

Early Intervention Program for Deaf or Hard-of-Hearing Children—Birth to 3 years old

The Early Intervention Program, first offered in 1973, provides assessments, communicative instruction, and development of Individualized Family Service Plans (IFSPs), to hearing-impaired children, from birth to age three, and their families. Itinerant early interventionists are stationed statewide, and cover three geographic areas: the Eastern Region (46 counties), the Central Region (14 counties), and the Western Region (40 counties).

Early intervention services were provided to 660 children and families during FY 2008-09, an increase of 78 from FY 2007-08. The total cost of the Early Intervention Program in FY 2008-09 was \$4.2 million.

Additional Legislation

No relevant information to report.

Health Choice

G.S. 108A-70.20 Establishes a health insurance program for children

Agency Description:

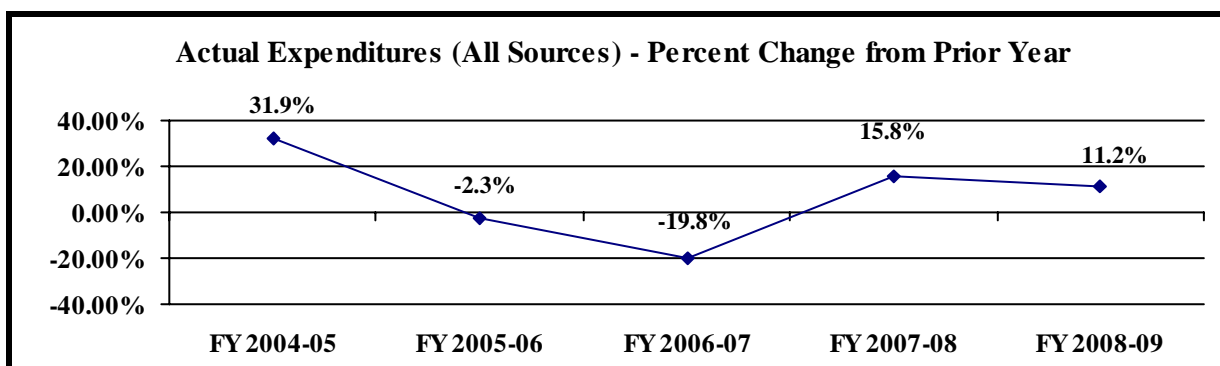
Health Choice is North Carolina’s State Children’s Health Insurance Program (SCHIP). The program provides families access to health insurance for their children, ages 6 through 18. To be eligible, a family must have annual income of between 100% and 200% of the federal poverty level, be ineligible for Medicaid, and have no health insurance. The program is administered by Blue Cross Blue Shield of North Carolina through the State Employees Health Plan.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	241,897,953	268,875,219	318,521,997	341,973,201
Revenue	182,519,040	202,109,237	241,303,473	260,008,960
Net Appropriations	\$59,378,913	\$66,765,982	\$77,218,524	\$81,964,241
Positions (FTE)	1.00	1.00	1.00	1.00

Budget Overview:

The FY 2009-10 budget is \$318.5 million and the FY 2010-11 budget is \$342.0 million. The FY 2009-10 budget represents an increase of 18.5% over FY 2008-09. Nearly 76% of this amount, \$241.3 million, is federal revenue. The current budget allows the enrollment in Health Choice to increase by 9,098 children during FY 2009-10 to approximately 139,071 children.

Expenditures for the Health Choice program have increased at an average of 7.3% during the past five years. However, this figure does not present a complete analysis. As illustrated on the trend line shown below, expenditures declined in FY 2005-06 and FY 2006-07; this drop was due to the General Assembly's decision to shift children from birth through age five to the State's Medicaid program beginning January 1, 2006. Since January 2006, the number of eligible children enrolling in Health Choice has continued to grow.



Health Choice

Budget Tables

The following table provides a breakdown of the Health Choice total General Fund operating budget by purpose or program.

Health Choice (14446 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
State Administration *	72,014	72,014
Medical Payments	318,449,983	341,901,187
TOTAL	\$318,521,997	\$341,973,201
Revenue	(241,303,473)	(260,008,960)
NET GENERAL FUND APPROPRIATIONS	\$77,218,524	\$81,964,241

* For additional information on overall administration costs, See Select Programs and Other Budgetary Information.

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Administration Costs

State administration costs for NC Health Choice are \$72,014 for FY 2009-10, however this amount does not include the costs for Blue Cross Blue Shield of North Carolina’s role in administering the program. The cost of administration associated with BC/BS of NC is approximately \$17.5 million, of which \$2.7 million is for BC/BS of NC’s management information system.

Health Choice

Reauthorization of Children's Health Insurance Program (CHIP)

In 2009, the U.S. Congress reauthorized Title XXI of the Social Security Act by enacting P.L. 111-3, The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). CHIPRA authorizes a federal block grant to states to provide health insurance for uninsured children from birth to age 18. Children eligible for Medicaid do not qualify for NC Health Choice, North Carolina's version of CHIP.

The chart below provides eligibility by age for the State's Medicaid and NC Health Choice programs.

Eligibility: NC Health Choice and Medicaid		
Age Group	Medicaid	Health Choice
0-1	0 to 200% FPL	--
1-5	0 to 200% FPL	--
6-18	0 to 100% FPL	101% to 200% FPL
FPL = Federal Poverty Level		

Additional Legislation

No relevant information to report.

Division of Health Service Regulation

G.S. 131D Inspection and Licensing of Facilities
 G.S. 131E Health Care Facilities and Services

Agency Description:

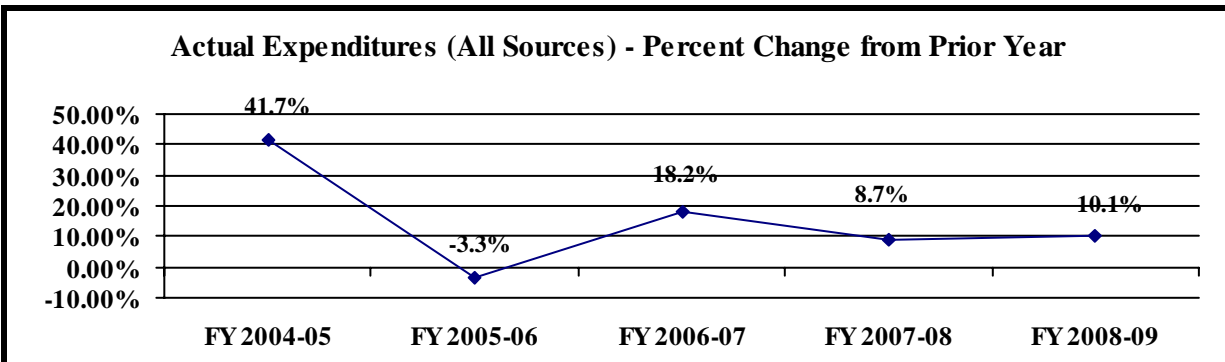
The Division of Health Service Regulation (DHSR), formerly known as the Division of Facility Services (DFS), establishes and enforces the regulation of health- and social-care facilities serving North Carolina citizens. The Division has several major functions: medical facilities planning, licensure and regulation of the construction and operation of health and social care facilities, operation of the health care personnel registry, and development of a statewide emergency medical services (EMS) system.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	57,493,541	63,295,513	57,695,773	57,703,129
Revenue	38,797,425	45,562,094	39,769,032	39,789,004
Net Appropriations	\$18,696,116	\$17,733,419	\$17,926,741	\$17,914,125
Positions (FTE)	531.00	530.00	523.00	523.00

Budget Overview:

The budget for the Division of Health Service Regulation is \$57.7 million in both FY 2009-10 and FY 2010-11. The FY 2009-10 budget represents a decrease of 8.8% from FY 2008-09 actual expenditures due to a decrease in federal Medicare receipts and other licensure fees and permits.

Net General Fund appropriations represent 31.1% of the FY 2009-10 budget. Receipts comprise 68.9% of the budget, primarily licensure fees, federal bioterrorism grants, and federal Medicare and Medicaid funds. The Division's budget has increased by an average annual percent of 15% between FY 2004-05 and FY 2008-09. This change is primarily due to increased federal bioterrorism grants and increased licensure and inspection fees. The dip in the percentage increase in FY 2005-06 is a result of a one-time decrease in federal grants.



Division of Health Service Regulation

Budget Tables

The following table provides a breakdown of the Division of Health Service Regulation’s total General Fund operating budget by program or purpose.

Division of Health Service Regulation (14470 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Management and Support	2,067,244	2,051,226
Facility and Health Services	35,435,008	35,458,211
Emergency Medical Services	17,488,845	17,489,016
Plan and Develop Health Care	2,704,676	2,704,676
TOTAL	\$57,695,773	\$57,703,129
Revenue	(39,769,032)	(39,789,004)
NET GENERAL FUND APPROPRIATIONS	\$17,926,741	\$17,914,125

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 10.76 DHSR LICENSE FEE INCREASES

Section 10.76 increases existing fees for health care facilities licensed by the Division of Health Service Regulation (DHSR).

- Adult Care Homes:
 - 5 or fewer beds, 3 percent facility fee increase and 50 percent bed fee increase,
 - 6 or more beds, 26 percent facility fee increase.
- Hospitals: bed fees 40 percent increase or \$17.50 per bed.
- Home Care, 28 percent facility fee increase
- Cardiac Rehabilitation Centers, 54 percent facility fee increase;
- Hospice, now subject to an annual licensure fee of \$400;

Division of Health Service Regulation

- Ambulatory Surgical Centers, 21 percent facility fee increase and 50 percent per bed increase.
- Nursing homes: 7 percent decrease in annual facility fees, 50 percent increase in per bed fees.
- Most mental health facilities received annual facility fee increases of between 22 and 36 percent, while mental health facilities with 7 or more beds also received a 50 percent per bed fee increase.

For more information see the Annotated Conference Report at the end of this section.

Section 10.77 DHSR INITIAL LICENSURE FEES NEW FACILITIES

Section 10.77 establishes new fees to be collected from new facilities upon initial licensure.

- Adult Care Homes:
 - 5 or fewer beds, \$400 initial licensure facility fee and a \$19 per bed fee,
 - 6 or more beds, \$350 initial licensure facility fee.
- Hospitals are subject to various initial licensure fees ranging from \$550 to \$1,950 dependent on the size of the facility, as well as a \$19 per bed fee.
- Home Care, Ambulatory Surgical Centers, Hospice facilities, Abortion clinics and Cardiac Rehabilitation centers and Nursing Homes are subject to various initial licensure fees ranging from \$425 to \$900. Ambulatory Surgical Centers and nursing homes are also subject to per bed fees.
- Mental health facilities are subject to initial licensure fees ranging from \$265 to \$185, dependent on type and size, plus a \$19 per bed fee for facilities with 7 or more beds.

For more information see the Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Division of Medical Assistance

G.S. 108A-54 Authorization of Medical Assistance Program
 G.S. 108A-70.10 Medical Assistance Provider False Claims Act

Agency Description:

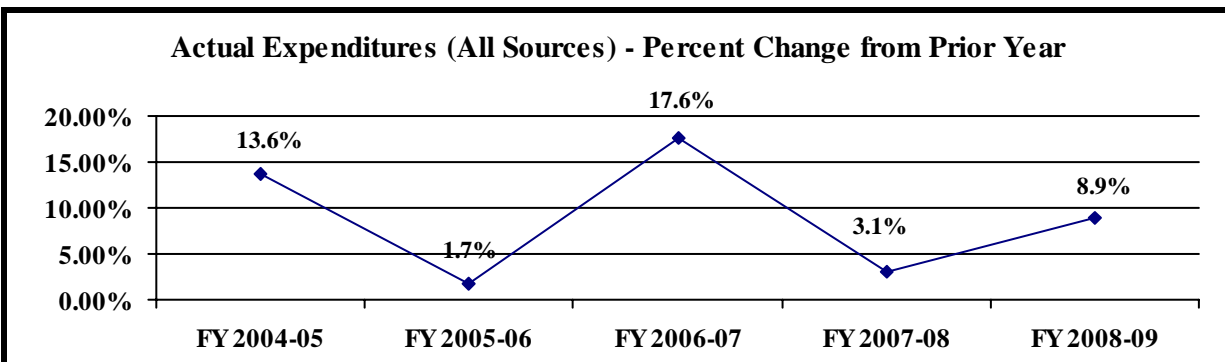
The Division of Medical Assistance (DMA) manages the operation of the Medicaid Program. The Division operates through internal staff and external contracts, including claims processing, medical policy, rate-setting, auditing, quality assurance, recipient and provider services, utilization management, and program integrity. DMA partners with county departments of social services for eligibility determination.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	11,596,523,640	12,623,281,487	11,020,881,930	11,050,514,861
Revenue	8,681,390,165	9,857,620,928	8,702,228,761	8,330,318,104
Net Appropriations	\$2,915,133,475	\$2,765,660,559	\$2,318,653,169	\$2,720,196,757
Positions (FTE)	428.25	444.25	433.25	433.25

Budget Overview:

The current operating budget for the Division of Medical Assistance is just over \$11.0 billion in both FY 2009-10 and FY 2010-11. The FY 2009-10 budget represents a 12.7% decrease from FY 2008-09 actual expenditures. The budget varies based on overall Medicaid caseload, overall health care costs, and recent federal American Recovery and Reinvestment Act (ARRA) funds. Due to ARRA, the federal government is paying an enhanced rate that accounts for roughly 75% of Medicaid service costs. The State is required to make up the difference through State matching funds. Roughly 79% of the expenditures in DMA’s budget are offset by federal and other receipts for Medicaid.

The Division's budget increased by an average of 8.9% between FY 2004-05 and FY 2008-09 due to increases in caseload and overall health care costs, and policy changes. For example, in FY 2005-06, prescription drug coverage for Medicaid- and Medicare-eligible seniors was transferred to Medicare under the Part D program. In FY 2006-07, federal changes in how the Division accounts for Disproportionate Share Hospital (DSH) expenditures resulted in a spike in expenditures. And starting in FY 2007-08, caseloads increased while the State partially assumed the county share of Medicaid service payments. As of July 1, 2009, the State assumed 100% of the county share.



Division of Medical Assistance

Budget Tables

The following table provides a breakdown of the Division of Medical Assistance total General Fund operating budget by program or purpose.

Division of Medical Assistance (14445 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	36,074,664	36,074,664
Contracts and Agreements	104,161,021	104,865,293
Medical Assistance – Total	10,174,289,261	10,181,652,339
County Administration	1,014,000	1,014,000
Payments	9,184,137,623	9,189,542,854
Cost Settlement Payments	1,239,962,136	1,239,962,136
Adjustments and Refunds	(250,824,498)	(248,866,651)
Disproportionate Share Hospital (DSH) Payments and Enhanced Payments	592,156,984	592,156,984
Reserves and Transfers	100,000,000	121,565,581
Prior-Year Earned Revenue	14,200,000	14,200,000
TOTAL	\$11,020,881,930	\$11,050,514,861
Revenue	(8,702,228,761)	(8,330,318,104)
NET GENERAL FUND APPROPRIATIONS	\$2,318,653,169	\$2,720,196,757

The following table provides a breakdown of the funds administered by the Division of Medical Assistance, including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
DMA (14445 – General Fund)	11,020,881,930	11,050,514,861
DMA (24445 – Special Fund)	291,872,767	276,872,767
TOTAL	\$11,312,754,697	\$11,327,387,628

Other Funds

The Division of Medical Assistance is administratively responsible for the Medical Assistance Special Fund. However, this fund does not appear as part of the operating budget for the Division of Medical Assistance.

Division of Medical Assistance

Medical Assistance – Special Fund (24445)

Balance: \$23,485,975
(as of June 29, 2009)

The Medical Assistance Special Fund, established to receive payments authorized in G.S. 108A-55, has three purposes:

- Disproportionate Share Hospital (DSH) Gain receipt fund: collects deposits on any gains realized from the DSH and Enhanced Payment Programs;
- Disproportionate Share Hospital (DSH) Settlement account: records settlement payments for the DSH Program or other authorized actions by the North Carolina General Assembly; and
- Undispositioned Refunds account: temporarily houses refunds in which a category of service or fiscal year cannot be determined at the time of deposit. When these elements are determined, the money is then transferred to the General Fund.

Significant Legislative Budget Actions

Reduction in Medical Assistance Payments

The General Assembly reduced Medical Assistance payments by \$857.4 million in FY 2009-10 and \$502.6 million in FY 2010-11 to be offset by federal recovery funds.

(See Annotated Conference Report, Health and Human Services Section; Item 181)

The American Recovery and Reinvestment Act of 2009 (ARRA) temporarily increased the share of each state's Medicaid expenses for which the federal government is responsible (called the Federal Medical Assistance Percentage, or FMAPs). North Carolina's FMAP increased from 64.6 percent to 74.51 percent, the maximum increase available, resulting in an additional \$1.4 billion¹ in federal funds through January 8, 2010.

The temporary FMAP increases resulted in the additional \$857.4 million and \$502.6 million respectively over the FY 2009-11biennium to backfill significant reductions needed to balance the State's budget, thereby averting further reductions to the Medicaid program.

The increased FMAP is retroactive to October 1, 2008 and lasts until December 31, 2010. In order to receive the FMAP funds, a state must not have more restrictive eligibility requirements than it had in place on July 1, 2008.

For further information see Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

¹ U.S. Department of Health and Human Services, HHS.gov/Recovery

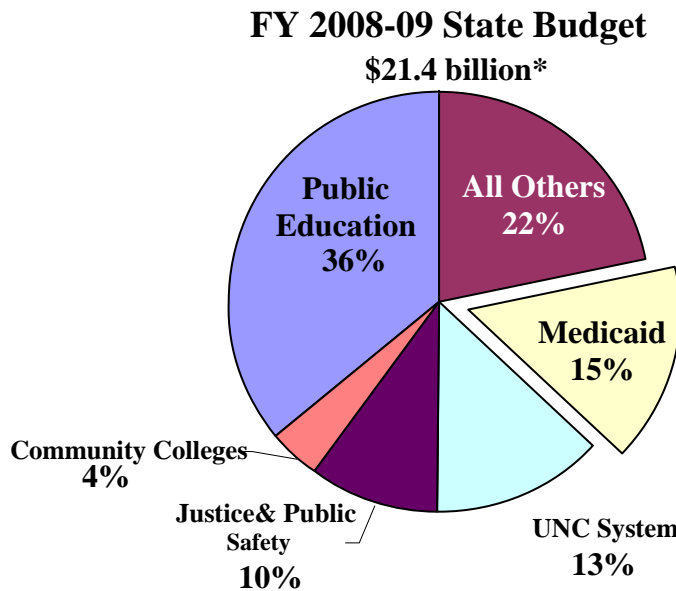
Division of Medical Assistance

Select Programs and Other Budgetary Information

Medicaid and the Economy

Medicaid is a medical insurance program for uninsured or underinsured citizens. The program operates under agreements between states and the federal government. By federal law, it is considered an entitlement program, which means that a state’s eligible citizens are legally entitled to program benefits regardless of a state’s budget or ability to pay.

While the federal government is responsible for the majority of Medicaid costs, North Carolina paid approximately 35 percent of the State’s \$12.6 billion in total Medicaid expenditures in FY 2008-09. During FY 2008-09 Medicaid spending comprised roughly 15 percent (or approximately \$2.8 billion) of net General Fund appropriations (excluding federal American Recovery and Reinvestment Act funding); only public education represented a larger share of the budget. Over the last five years, State Medicaid spending has grown an average of approximately 9 percent, faster than any other major spending area in State government.



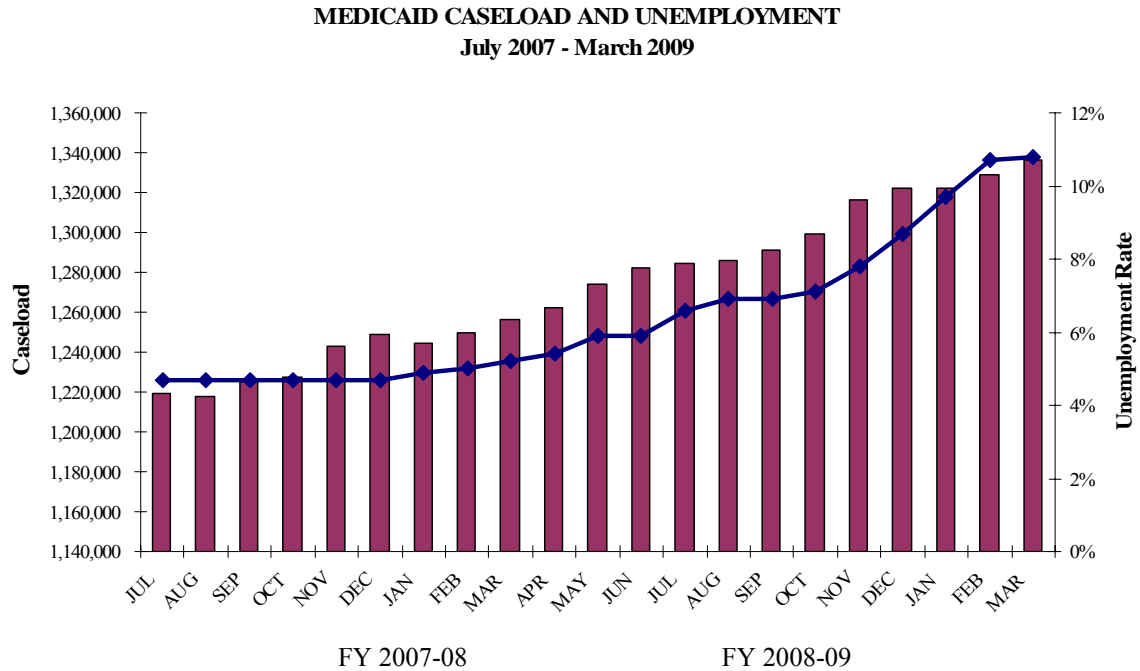
Note: *Total represents net General Fund appropriations only.

Medicaid serves as the State’s safety net program for eligible individuals who lose jobs and health insurance coverage. As such, it is sensitive to economic volatility – when the State’s economy experiences a downturn, more people become unemployed or lose health insurance, thereby becoming eligible for Medicaid. Unemployment during the current recession reached double digits (10.8%)² in early 2009. The close relationship between increasing Medicaid

² Employment Security Commission of North Carolina, News Release, April 17, 2009

Division of Medical Assistance

caseloads and unemployment is illustrated in the following chart.



Medicaid Enrollment and Expenditures

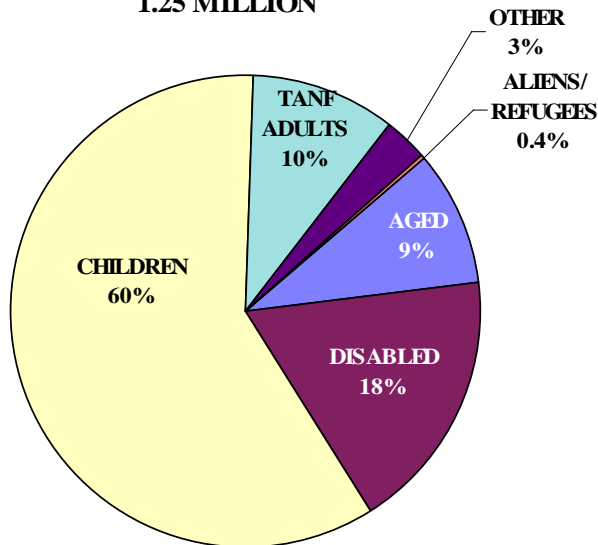
It is important to consider who receives Medicaid services when analyzing its cost to the State. The North Carolina Medicaid caseload includes both mandatory and optional populations the North Carolina General Assembly has elected to cover.

Mandatory	Optional
- Aged, blind, disabled on Supplemental Security Income (SSI)	- Aged, blind, disabled not on SSI ≤ 100% poverty
- Certain Medicare recipients	- Medically needy
- Low-income pregnant women and infants ≤ 133% poverty	- Pregnant women ≤ 185% poverty
- Low-income children through age 18	- Children 0 - 5 between ≤ 200% poverty
- Low-income families with children who meet 1996 income restrictions	- Children ages 19 and 20 ≤ 100% poverty
- Foster and adoptive children	- Certain foster and adoptive children not otherwise eligible
	- Women in the NC Breast and Cervical Cancer Control Program
	- Family planning for adults up to 185% poverty

Division of Medical Assistance

Children and their working parents (TANF Adults) represent the bulk of the Medicaid caseload, followed by people with disabilities and seniors.

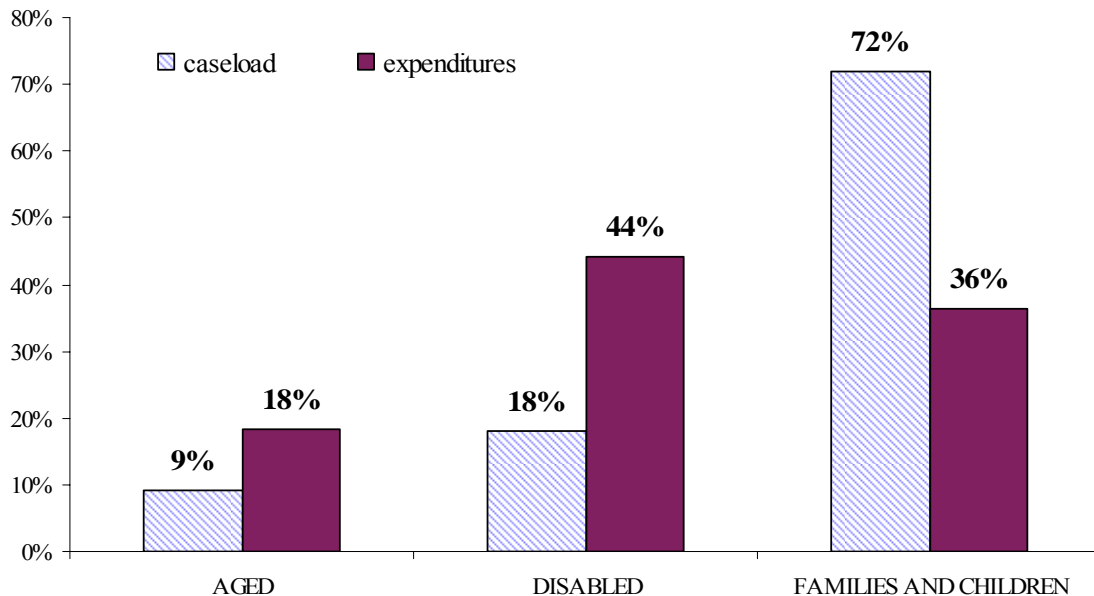
FY 2008 MEDICAID CASELOAD
1.25 MILLION



Source: DHHS, DMA Program Expenditure Report, June 2008

However, families and children are the least expensive populations in Medicaid. As shown in the chart below, while families and children constitute 72 percent of the Medicaid caseload, they account for only 36 percent of total expenditures.

FY 2008 MEDICAID CASELOAD AND EXPENDITURES



Source: DHHS, DMA Program Expenditure Report, June 2008

Division of Medical Assistance

Seniors and people with disabilities have more complex health needs and require more medical services. People with disabilities represent 18 percent of the caseload but almost half (44 percent) of total Medicaid expenditures.

Medicaid, unlike Medicare and most private health insurance coverage, is required by federal law to cover expensive long-term care services such as non-rehabilitative nursing facility care and home health. Primarily used by seniors and the disabled, the cost of long-term care is reflected in the disparity amongst the varying amounts paid per recipient.

FY 2008 MEDICAID PAID PER RECIPIENT



Source: DHHS, DMA Program Expenditure Report, June 2008

Additional Legislation

S.L. 2009-554, Qui Tam/Liability for False Claims

S.L. 2009-554, Section 1 adds a new article to the Civil Procedure Law, G.S. 1, Article 52, entitled 'False Claims Act,' which is intended to deter persons from submitting or assisting in the submission of false claims for reimbursement by the State's Medical Assistance Program (Medicaid). It makes the penalty for obtaining money by false claims three times the amount of damages plus costs and civil penalties. It authorizes private persons to file an action on behalf of the person and the State and to share in any proceeds under certain circumstances.

Section 2 adds a new section to G.S. 1 allowing the Attorney General to issue subpoenas to produce records to corporations or other entities in connection with criminal investigations of health care providers.

Division of Medical Assistance

Section 3 amends existing G.S. 1 to make it a Class H felony for a provider to defraud Medicaid.

Division of Mental Health, Developmental Disabilities and Substance Abuse

G.S. 122C Mental Health, Developmental Disabilities, and Substance Abuse Act of 1985

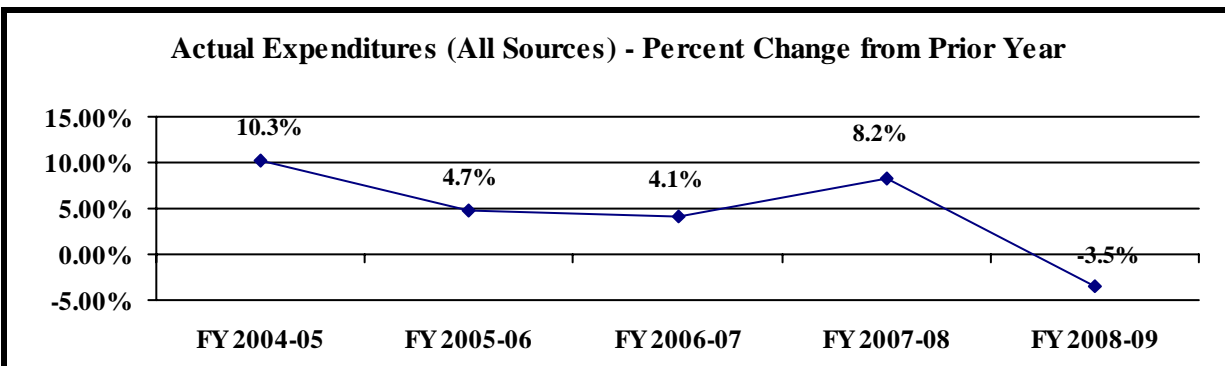
Agency Description:

The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMHDDSAS) provides prevention, intervention, treatment, and services to people who have or are at risk of having mental illness, developmental disabilities, and substance-abuse problems. State funds support both state-operated facilities and Local Management Entities, which provide a point of entry into the public system for receipt of services for this target population.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	1,476,987,761	1,424,579,351	1,353,197,947	1,338,317,886
Revenue	760,524,864	715,595,357	688,812,063	673,621,931
Net Appropriations	\$716,462,897	\$708,983,994	\$664,385,884	\$664,695,955
Positions (FTE)	11,657.08	11,941.18	11,438.43	11,561.93

Budget Overview:

The budget for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services totals \$1.4 billion for FY 2009-10 and \$1.3 billion for FY 2010-11. The budget represents a 5.0% decrease from FY 2008-09 actual expenditures. Net General Fund appropriations in the FY 2009-10 budget have decreased by 6.3% over FY 2008-09 actual appropriations and make up 49% of the budget. Sources of receipts for DMHDDSAS include Medicaid and federal block grants. The decrease from FY 2008-09 is primarily due to reduced State appropriations available for the biennium and corresponding federal Medicaid receipts. The average annual percent change in expenditures is 4.8% from FY 2004-05 to FY 2008-09. This is due to increased state appropriations and federal receipts for community and facility-based services.



Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Budget Tables

The following table provides a breakdown of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services' (DMHDDSAS) total General Fund operating budget by program or purpose.

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (14460 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Community Services		
Mental Health Services	\$44,068,861	\$44,068,861
Developmental Disabilities Services	55,614,532	55,614,532
Substance Abuse Services	59,935,532	59,935,532
Nondisability Specific Services & Local Admin.	331,927,043	330,855,470
State-Operated Services		
Psychiatric Hospitals	431,944,759	419,152,623
Developmental Centers	248,133,286	247,448,060
Alcohol and Drug Abuse Treatment Centers	42,069,962	41,964,833
Neuro-Medical Centers	78,944,616	78,728,364
Residential Programs for Children	5,873,980	5,867,294
State Administration	31,831,360	31,828,301
Regional Maintenance Programs	17,203,897	17,203,897
Reserves, Transfers, Carryforwards & Adjustments	5,650,119	5,650,119
TOTAL	\$1,353,197,947	\$1,338,317,886
Revenue	(688,812,063)	(673,621,931)
NET GENERAL FUND APPROPRIATIONS	\$664,385,884	\$664,695,955

The following table provides a breakdown of the funds administered by DMHDDSAS including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10
DMHDDSAS (14460 – General Fund)	1,353,197,947
Julian Keith ADATC (24401 – Special Fund)	25,720
WB Jones ADATC (24403 – Special Fund)	28,164
NC SPC. Care Center (24404 – Special Fund)	35,799
Black Mt. Center (24406 – Special Fund)	21,127
Mental Health/DD/SAS (24460 – Special Fund)	293,690

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Dorothea Dix (24462 – Special Fund)	241,358
Broughton Hospital (24463 – Special Fund)	146,314
Cherry Hospital (24464 – Special Fund)	128,030
Umstead Hospital (24465 – Special Fund)	141,338
Riddle Center (24466 – Special Fund)	700,177
O'Berry Center (24467 – Special Fund)	364,563
Murdoch Center (24468 – Special Fund)	105,098
Caswell Center (24469 – Special Fund)	583,778
Town of Butner (54465 – Special Fund)	0
Longleaf Neuro-Medical (64404 – Special Fund)	1,995
Trust and Agency Interest Bearing (64405 - Special Fund)	47,200
Black Mt. Center (64406 - Special Fund)	123
SAS Keehlin Trust (64408 - Special Fund)	0
SAS Trust (64460 - Special Fund)	0
Broughton Hospital (64463 – Special Fund)	53,050
Cherry Hospital (64464 – Special Fund)	18,837
Umstead Hospital (64465 – Special Fund)	21,084
J. Iverson Riddle Dev. Ctr. (64466 – Special Fund)	100,311
O'Berry Center (64467 – Special Fund)	82,450
Murdoch Center (64468 – Special Fund)	57,088
Caswell Center (64469 – Special Fund)	1,870
Black Mt. Center (67406 – Special Fund)	6,275
O'Berry Center (67447 - Special Fund)	0
Dorothea Dix (67462 – Special Fund)	8,051
Broughton Hospital (67463 – Special Fund)	84,235
Cherry Hospital (67464 – Special Fund)	223,878
Umstead Hospital (67465 - Special Fund)	9,290
Riddle Center (67466 – Special Fund)	100,198
O'Berry Center (67467 – Special Fund)	32,943
Murdoch Center (67468 – Special Fund)	168,661
Caswell Center (67469 – Special Fund)	339,520
Butner Area Central Services (74465 – Special Fund)	767,179
TOTAL	\$1,358,137,341

*Total Appropriations by Fund as presented reflect only those budgets as authorized by the Office of State Budget and Management as of November 9, 2009.

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Other Funds

Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (63007)	Balance: \$2,134,496 (as of June 29, 2008)
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The Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services (Fund) is authorized in the State Budget Act, G.S. 143C-9-6. Originally established as part of the State's Mental Health Reform initiative, the Fund is intended to provide funding needed to facilitate or serve as a "bridge" while community-based services are being developed and implemented. The Fund is administratively located in the Office of State Budget and Management but DMHDDSAS is tasked with developing plans for use of the Fund.

Funds are derived from direct State appropriations enacted by the General Assembly, savings from the downsizing of State institutions, and a portion of unspent funds for local services that would otherwise revert to the General Fund.

The following outlines the purpose and use of the Trust Fund:

- Provide start-up funds and operating support for programs and services that provide more appropriate and cost-effective community treatment alternatives for individuals currently residing in the State's MH/DD/SA services institutions;
- Facilitate reform of the MH/DD/SA services system and expand and enhance treatment and prevention services in these program areas to remove waiting lists and provide appropriate and safe services for clients; and
- Provide bridge funding to maintain appropriate client services during transitional periods as a result of facility closings.

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Significant Legislative Budget Actions

Community Service Funds

The General Assembly reduced mental health, developmental disabilities, and substance abuse services funding paid through Local Management Entities (LMEs) by \$60 million for FY 2009-10 and FY 2010-11 as follows:

- \$40 million from non-disability-specific service funds (nonrecurring for FY 2009-11),
- \$16 million from supplemental services for CAP/MR-DD clients (recurring), and
- \$4 million from services identified as non-core to the mission of Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (recurring).

(See Annotated Conference Report, Health and Human Services Section; Items 15, 19 and 22)

Additionally, the General Assembly authorized the Department to allocate these reductions among LMEs, “giving consideration to the LMEs' unrestricted fund balance and the LMEs' ability to supplement funding of services without impairing its financial stability” in hopes of minimizing the overall reduction of service dollars.

(S.L. 2009-451, Sec. 10.19A and S.L. 2009-575, Sec. 10)

For additional information see the Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Mental Health Block Grant (S.L. 2009-451, Sec. 10.78)

FY 2009-10 Allocation: \$11,699,753

The Mental Health Block Grant, administered by DMHDDSAS, provides federal assistance to states for the provision of community-based services for people with mental illness.

The following table provides expenditure history for FY 2007-08 and FY 2008-09 and the FY 2009-10 block grant as enacted by the General Assembly.

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Mental Health Block Grant Funding History

Funded Activities	Actual	Actual	Certified
	FY 2007-08	FY 2008-09	FY 2009-10
Community-based Services for Adults	8,202,875	8,454,804	5,877,762
Community-based Services for Children	2,605,797	1,521,243	3,921,991
Comprehensive Treatment Service Program	714,652	999,994	1,500,000
UNC School of Medicine, Psychiatry Dept.	0	25,000	300,000
DMHDDSAS Administration	37,950	67,503	100,000
TOTAL	\$11,561,274	\$11,068,544	\$11,699,753

Substance Abuse Prevention and Treatment Block Grant (SAPTBG) (S.L. 2009-451, Sec. 10.78)

FY 2009-10 Allocation: \$48,702,674

The SAPTBG provides federal assistance to states for the provision of prevention and treatment services. States are required to use 20 percent of their allotment for prevention, to maintain financial commitment to services for pregnant addicts and women with children, and to give preferential treatment to pregnant addicts.

The following table provides expenditures and certified budget the previous biennium and FY 2009-10 block grant appropriation as enacted by the General Assembly.

Substance Abuse Prevention and Treatment Block Grant Funding History

Funded Activities	Actual	Actual	Certified
	FY 2007-08	FY2008-09	FY 2009-10
Division of MHDDSAS:			
Alcohol and Drug Abuse Services in State	19,120,708	19,065,484	22,008,080
Pregnant Women & Women with Depend. Children	8,940,692	8,210,669	\$8,069,524
Services to Intravenous Drug Abusers and Others at Risk of HIV/AIDS	3,347,098	4,010,801	5,116,378
Child Substance Abuse Prevention	6,806,052	5,501,022	7,186,857
Services to Children and Adolescents	4,859,843	4,245,628	4,940,500
Juvenile Services - Family Focus	399,820	0	0
DMHDDSAS Administration	81,688	578,009	250,000
Division of Public Health¹:			
HIV/STD Risk Reduction Projects	394,579	633,980	33,980
HIV/STD Prevention by Local Health Depts.	161,157	209,576	209,576
Maternal and Child Health Hotline	36,093	37,779	37,779
TOTAL	\$44,147,730	\$42,492,948	\$48,702,674

¹Actual expenditure data were not available prior to publication; amounts are appropriations.

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Mental Health Reform

Background

Prior to 2001, North Carolina's public system for delivering mental health, developmental disabilities, and substance abuse services consisted primarily of State institutions, county departments, and quasi-governmental entities known as area mental health programs.

During the 1990s, the State and local system experienced financial instability of several area programs while the system experienced significant increases in demand for services for populations not previously given funding priority. Concurrently, State-run psychiatric hospitals experienced significant growth in acute admissions for substance abuse while the private sector was eliminating beds. State hospitals struggled also with the ongoing threat of losing federal funding due to inadequate staffing and recordkeeping violations. On the national front, the United States Supreme Court, issued a ruling in Olmstead v. L.C., that held that states have an obligation to provide community-based treatment for persons with mental disabilities when certain conditions are met. The General Assembly reacted by commissioning a series of studies and moving forward toward system reform

From 2000 to the present, the State's mental health system has experienced many aspects of reform. During the 2000 Legislative Session, the General Assembly (GA) established the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC) to make recommendations on reforming the system. In 2001, the LOC proposed House Bill 381, a sweeping system-wide reform of the system. In January 2001, the GA passed the bill, known as "Mental Health Reform," emphasizing consumer-driven, community-based services and requiring the State and local governments to provide certain core services to all individuals. It also required the development of enhanced services to target persons with the most severe disabilities and shifted the role of local public mental health agencies from that of direct service providers to one of managing and coordinating services delivered by private providers.

Chronology of Legislative Action

- 2000, Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services established;
- 2001, GA passes S.L. 2001-437 (H.B. 381), Mental Health Reform, making significant State and local governance and accountability changes;
- 2001, GA appropriates \$50 million to provide start-up funds for community treatment alternatives for individuals in State institutions and to construct, repair, and renovate State facilities;
- 2001, GA passes S.L. 2001-424 (S.B. 1005) which establishes the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs in G.S. 143-15D (this was later recodified as 143C-9-2).

Implementation Milestones²

²Info Brief: System Reform for Mental Health, Developmental Disabilities, and Substance Abuse Services, Raleigh, NC: Divisions of Research and Fiscal Research of the North Carolina General Assembly, October 2006

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Since 2001, the system has undergone many changes, key milestones include:

- Creation of Local Management Entities (LMEs), local public agencies accountable to the State and counties;
- Reduction in numbers of LMEs from 40 to 22;
- Creation of State and local Consumer and Family Advisory Committees ("CFAC") to advise on all aspects of State and local operations.
- Divestiture by LMEs of most services via contractual relationships with private providers;
- Implementation of evidence-based best practices;
- Reduction in reliance on institutions for long-term needs.

Future Considerations

- Community hospitals are providing more psychiatric in-patient care - \$20 million available annually. How many State hospital beds are needed? What role should state hospitals play?
- Quality and access to evidenced-based services continue to vary across the state, including accessible and appropriate crisis services in the community.
- Access to substance abuse services has decreased since reform was implemented.³
- Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is planning for and implementing a new system for provision of services. What is role of LMEs?

Additional Legislation

Affecting LMEs:

S.L. 2009-189 (HB 576) REMOVE ENDORSEMENT FOR DENIED ACCESS LME

This act amends G.S. 122C-115.4(b) to authorize an LME to remove a provider's endorsement when a provider fails to allow access to the facility (in accordance with rules established under G.S. 143B-139.1) and in the event of an emergency or in response to a complaint related to the health or safety of a client.

S.L. 2009-186 (HB 673) SUPPORT FOR DEVELOPMENTAL DISABILITIES SERVICES

This act directs LMEs to develop a waiting list for persons with intellectual or developmental disabilities, documenting specific services being requested. The Secretary of Department of Health and Human Services is directed to establish criteria and rules for the collection of data. The data is to include numbers of persons who are: waiting for residential services; potentially eligible for CAP-MR/DD, and in need of other State-funded services and supports.

S.L. 2009-191 (HB 672) ACCOUNTABILITY FOR STATE FUNDING/MHDDSA

This act amends G.S. 122C-117(a) to require single-stream funded LMEs to report on the allocation of service dollars biannually and allow public comment on the allocation at a regularly scheduled LME Board of Directors meeting. The act requires any LME to obtain departmental approval and hold a public hearing prior to proposing a funding reduction to Housing and Urban

³ *The Implementation of Local Management Entities in North Carolina*, August 2007, Final Draft for Discussion

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

Development (HUD) group homes and apartments. The act directs the Department to analyze the effectiveness of single-stream funding.

S.L. 2009-190 (HB 1087) MHDDSA CLIENT RIGHTS/PROVIDER ENTITIES

This act amends G.S. 122C-64 to extend the requirement to establish human rights committees to provider entities and renames these committees “Client Rights and Human Rights” committees.

Affecting Facilities:

S.L. 2009-299 (SB 799) INCREASE TRANSPARENCY OF MH/DD/SA FACILITIES

This act amends G.S. 122C-31(g) to expand the death reporting requirement for State-operated facilities, to include patients recently discharged (14 days); and requires the facility to report the death to the State protection and advocacy agency designated under the Developmental Disabilities Assistance and Bill of Rights Act (P.L. 106-402) as well as the Secretary. The act provides that the following information related to the death is public information:

- Name, sex, age, and date of birth of the deceased.
- Name of the facility providing the report.
- Date, time, and location of the death.
- Description of the circumstances of death
- List of all entities to whom the event was reported

S.L. 2009-361 (HB 1309) TBI RESIDENTIAL TREATMENT FACIL/TBI COUNCIL

This act amends G.S. 122C-26(6) to direct the Secretary to adopt additional rules for residential facilities treating individuals with traumatic brain injury and changes the name of the North Carolina Traumatic Brain Injury Advisory Council to the North Carolina Brain Injury Advisory Council.

S.L. 2009-184 (HB 1088) DHHS/PROCUREMENT METHODS

This act amends G.S. 143-56(2) to exempt group purchases made by developmental centers, neuromedical treatment centers, and alcohol and drug abuse treatment centers.

S.L. 2009- 490 (SB 884) CIG SAF AMEND/DHHS ELEC. SUPERVISION

This act amends G.S. 58-92-15(p) and G.S. 58-92-30(g) to direct the Department to establish a pilot program to study the use of electronic supervision devices as an alternative means of supervision during sleep hours at facilities for children and adolescents who have a primary diagnosis of mental illness and/or emotional disturbance. The law further directs the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services to adopt rules establishing standards for electronic monitoring and alternate staffing requirements at such facilities.

Other:

S.L. 2009-340 (HB 243) MENTAL HEALTH/LAW ENFORCEMENT CUSTODY

This act amends G.S. 122C-261(d) to allow that if inpatient treatment is not immediately available or appropriate, the respondent may be detained at the site of the first-level examination and the custody order remains in effect for up to seven days and provides a process for required release after that period of time. The Law expands the Involuntary Commitment Pilot program to 15 LMEs and allows a licensed clinical social worker, master’s level psychiatric nurse, or

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

master's level certified clinical addictions specialist to conduct the first-level examinations of patients.

S.L. 2009-315 (HB 1189) DHHS/TRACKING OUTPATIENT COMMITMENTS.

This act amends G.S. 122C-261(d) to require a physician or eligible psychologist to contact the LME when a client has been scheduled for an appointment with an outpatient treatment center. This act also allows first-level examinations by telemedicine for involuntary commitment for mental illness.

S.L. 2009-574 (HB 945) THE STUDIES ACT OF 2009

This act allows the Legislative Research Commission to study the State's involuntary commitment laws, Chapter 122C of the General Statutes (in particular G.S. 122C-263 (a)), to determine if an individual lawfully ordered to undergo an examination by a physician or eligible psychologist is being appropriately supervised during the period of the individual's examination.

S.L. 2009-550, SEC. 1.1-1.3(HB 274) CLARIFYING CHANGES TO STATE LAW and S.L. 2009-526 SEC. 2 (HB 191) GENERAL STATUTES CLARIFYING CORRECTION

Section 1.1(a) & (b)

These acts amend G.S. 15A-544.4(e) and Section 10.15A.(h1)(2) and (h1)(3) of S.L. 2008-107 to modify the appeals process for recipients by reducing the minimum days prior to the effective date of an adverse action; requires the Department to provide proper notice; and codifies existing session law which provides that during an appeal the appellant has a right to services at the level or manner prior to the appeal.

Subsection (b) makes the following changes:

- Directs Office of Administrative Hearings to hear cases with 55 days of appeal (was 45 days)
- Provides hearings shall be conducted telephonically or by video conference, unless the appellant requests an in-person hearing. In-person hearings are to be in Wake County, but can be moved to the appellant's county of residence upon good cause shown.
- Stipulates continuances shall only be granted in accordance with NCAC rules (currently NCAC03.0118 would govern), continuances are not to be granted on the day of the hearing, and failure to appear (after proper notification) will result in an immediate dismissal.
- Authorizes petitioner to submit evidence obtained prior to and subsequent to the Department's action
- Provides that in each adverse action the hearing shall determine if the Department substantially prejudiced the rights of the appellant by exceeding its authority; acting erroneously; failing to use proper procedure; acting arbitrarily or capriciously; or failing to act as required by law.

Section 1.1(c) modifies the appeal process for community support providers as follows:

- Authorizes a hearing officer to take testimony and receive evidence by telephone or electronic means
- Removes a hearing officer's authority to subpoena the attendance of a witness
- Modifies what the Department must provide as a record of the hearing if the provider petitions for judicial review
- Requires a final decision to be rendered with 180 days (was 90 days) from the date of filing of the petition.

Division of Public Health

G.S. 130A Authority and Duties of the Division of Public Health

Agency Description:

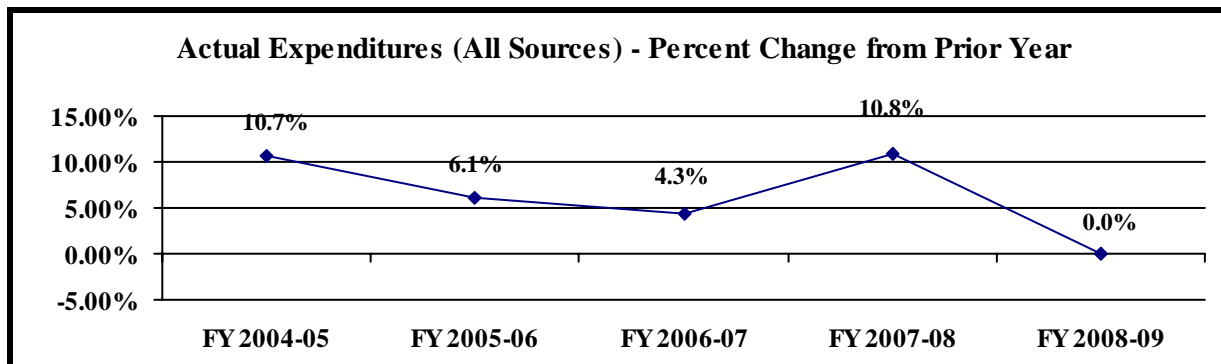
The Division of Public Health (DPH) provides and manages preventive services, education, training, and epidemic outbreak services to local communities and health care professionals. The Division is involved in a wide range of activities, including cancer control, diabetes, asthma, heart disease, early intervention and child development, teenage pregnancy, maternal and infant health, tobacco-use prevention, nutrition, obesity and physical activity, and immunization. The Division also provides supervision and support for the 86 county and district public health departments.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	746,555,338	746,455,800	766,176,973	765,331,434
Revenue	567,161,658	587,157,025	604,610,853	604,816,105
Net Appropriations	\$179,393,680	\$159,298,775	\$161,566,120	\$160,515,329
Positions (FTE)	2,114.55	2,117.55	2,083.55	2,083.55

Budget Overview:

The budget of the Division of Public Health totals \$766.2 million for FY 2009-10 and \$765.3 for FY 2010-11. This is an increase of 2.6% over the previous fiscal year. Approximately 21% of the Division's budget is funded with \$161.6 million in state appropriations. The remaining 79% is funded with \$604.6 million in receipts. The Division will spend approximately \$29.3 million local public health services. In FY 2010-11 approximately 21% of the Division's budget will be funded with \$160.5 million in state appropriations. The remaining 79% will be funded with \$604.8 million in receipts.

During the past five years, the average annual increase in actual expenditures in the Division of Public Health has been 6.4%, as illustrated below. The increases are a result of federal receipts from Medicaid and grants.



Division of Public Health

Budget Tables

The following table provides a breakdown of the Division of Public Health’s total General Fund operating budget by program.

Division of Public Health (14430 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration, Local, and Community Support		
Division Offices	11,624,149	11,624,149
Office of the Chief Nurse	1,420,974	1,420,974
Local Health Services	29,270,159	29,920,159
Women's and Children's Health		
Women's Health	61,096,216	59,719,215
Early Intervention Program	80,647,875	80,647,902
Child Health	35,939,509	35,794,026
Nutrition Services	352,602,557	352,602,557
Immunization	25,069,303	25,576,867
Chronic Disease and Injury Prevention		
Chronic Disease Prevention	26,679,837	26,181,323
Highway Safety Scientific Service	2,178,203	2,178,203
Epidemiology		
HIV/STD Prevention and Care		
Public Health Laboratory Services	21,782,919	21,786,202
Bioterrorism Grants	24,669,629	24,674,241
Communicable Diseases	66,698,628	66,701,166
Occupational and Environmental Epidemiology	5,056,360	5,063,345
Office of the Chief Medical Examiner	5,641,224	5,641,224
Oral Health	6,484,071	6,484,521
Vital Records	3,712,712	3,712,712
State Center for Health Statistics	4,737,245	4,737,245
Federal Indirect Cost Reserve	853,628	853,628
Control Fund	11,775	11,775
TOTAL	\$ 766,176,973	\$ 765,331,434
Revenue	(604,610,853)	(604,816,105)
NET GENERAL FUND APPROPRIATIONS	\$161,566,120	\$160,515,329

Other Funds

No relevant information to report.

Division of Public Health

Significant Legislative Budget Actions

No relevant information to report.

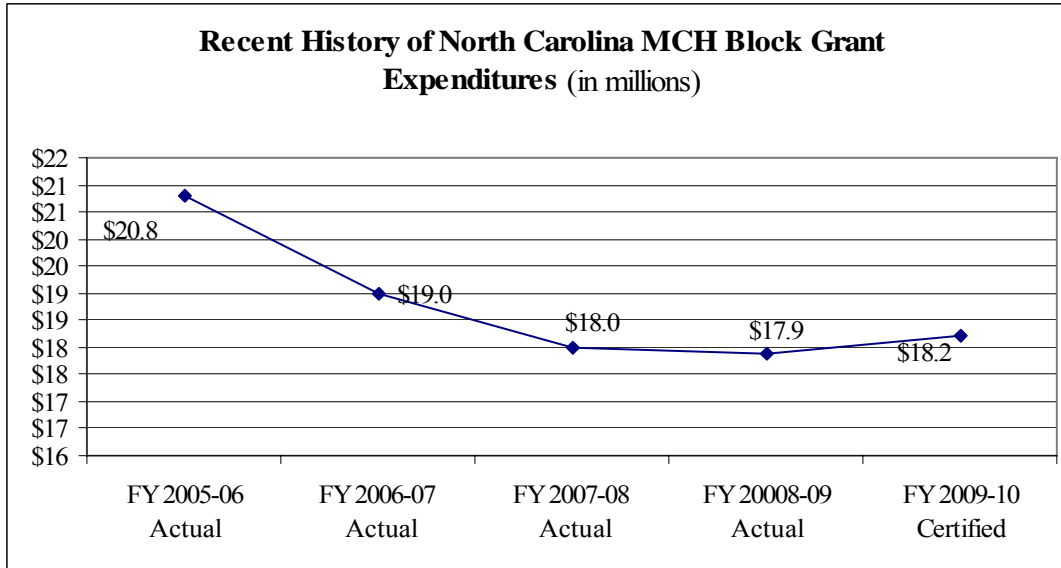
Select Programs and Other Budgetary Information

Maternal and Child Health Block Grant (S.L. 2009-451, Sec. 10.78)

FY 2009-10 Allocation: \$18,121,424

For FY 2009-10 the General Assembly appropriated \$18,121,424 in Maternal and Child (MCH) block grant funds. These funds are used to maintain and strengthen the Division of Public Health’s planning, promoting, coordination, and evaluation of health care for pregnant women, mothers, infants, children, and children with special health care needs. Funds are also used to provide health services for mothers and children who do not have access to adequate health care.

The following chart shows the expenditure and appropriation data for the Maternal and Child Health Block Grant over the past four fiscal years.



Additional Legislation

No relevant information to report.

Division of Social Services

- G.S. 108A-71 Public Assistance and Social Services Programs
- G.S. 108A-100 Protective Services
- G.S. 110-45 Control Over Child Caring Facilities
- G.S. 110-129.1 Child Support
- G.S. 131D-10.1 Control Over Child Placing and Child Care

Agency Description:

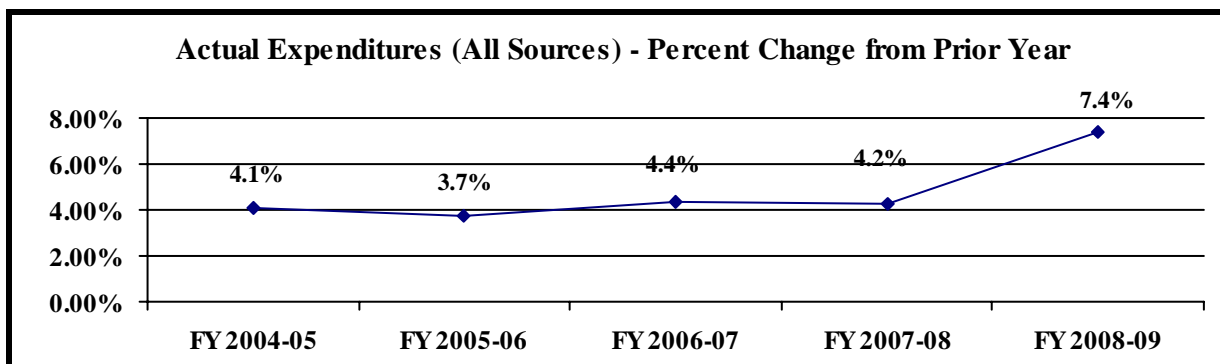
The Division of Social Services (DSS) supervises North Carolina’s federally-mandated, county-administered social services programs and supports the rule-making functions of the Social Services Commission. Core social services programs include: Child Welfare, Adoption and Foster Care Assistance, Family Preservation and Support, Work First (Temporary Assistance for Needy Families), Child Support Enforcement, and Food and Nutrition Services (Food Stamps).

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	1,560,715,468	1,675,650,054	1,659,863,072	1,615,627,422
Revenue	1,351,223,050	1,484,009,922	1,451,683,650	1,407,037,939
Net Appropriations	\$209,492,418	\$191,640,132	\$208,179,422	\$208,589,483
Positions (FTE)	767.00	797.00	775.00	775.00

Budget Overview:

The budget for the Division of Social Services is \$1.7 billion for FY 2009-10 and \$1.6 billion for FY 2010-11. The FY 2009-10 budget represents a decrease of 0.9% from FY 2008-09 actual expenditures. Net General Fund appropriations account for 12.5% of the Division's budget. Total revenues, which have remained relatively flat due to capped federal funding for the Social Services Block Grant (SSBG) and the Temporary Assistance for Needy Families (TANF) Block Grant, support 87.5% of total FY 2009-10 budgeted expenditures.

The Division's annual expenditures increased by an average of 4.8% from FY 2004-05 to FY 2008-09. Variations over this period are primarily due to increased State and local administrative costs, increased Work First Family Assistance payments, and increased General Fund appropriations for State/County Special Assistance and Foster Care and Adoption Assistance rate increases during FY 2008-09.



Division of Social Services

Budget Tables

The following table provides a breakdown of the Division of Social Services' (DSS) total General Fund operating budget by program or purpose.

Division of Social Services (14440 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration and Program Support		
State Administration	17,478,904	17,485,505
Economic Services	13,400,511	12,402,614
Child Welfare Services	47,358,435	42,127,290
County Administration	401,253,542	401,253,542
Services and Assistance Programs		
County Services	591,384,334	589,088,276
State-County Special Assistance	149,254,696	147,203,176
Work First Family Assistance	92,679,709	87,203,636
Foster Care Assistance	119,685,774	109,917,797
Adoption Assistance	110,370,741	113,003,881
Energy Assistance	46,133,393	46,133,393
Refugee Assistance	3,261,864	3,261,864
Contracted Services	16,452,567	16,452,567
Child Support Enforcement	46,641,965	27,853,212
ARRA Programs (Child Care & Development and Community Services Block Grant)	2,264,062	-
Control Fund, Reserves, Prior Year Revenue and Adjustments	2,242,575	2,240,669
TOTAL	1,659,863,072	1,615,627,422
Revenue	(1,451,683,650)	(1,407,037,939)
NET GENERAL FUND APPROPRIATIONS	\$208,179,422	\$208,589,483

The following table provides a breakdown of the funds administered by the Division of Social Services, including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
DSS (14440 – General Fund)	1,659,863,072	1,615,627,422
DHHS-Social Services (24441 – Special Fund)	1,582,453	1,582,453
DHHS-Social Services (64442 – Trust Fund)	1,319,936	1,319,936
TOTAL	\$1,662,765,461	\$1,618,529,811

Other Funds

No relevant information to report.

Division of Social Services

Significant Legislative Budget Actions

Work First Family Assistance (WFFA)

The General Assembly reduced recurring net General Fund appropriations for WFFA by \$7.2 million for FY 2009-10. The General Assembly also reduced appropriations for Electing Counties' WFFA and Work First County Block Grant programs by \$2.4 million in FY 2009-10. These cumulative reductions suspend State appropriations for WFFA in FY 2009-10.

Approximately \$89.4 million of federal Temporary Assistance for Needy Families (TANF) Block Grant and TANF Contingency funds are appropriated for Work First Family Assistance in FY 2009-10. An equal appropriation (\$2.4 million) of TANF Contingency funds offsets the reduction in State funding for Electing Counties' WFFA and County Block Grants.

The Work First Family Assistance (WFFA) program provides capped financial assistance to eligible families during financial crises and links them to services that build their capacities for self-support. On average, 25,919 families received WFFA each month in FY 2008-09, representing approximately 54,911 individuals. The average monthly household assistance payment was \$215.27. WFFA expenditures totaled \$80.2 million in FY 2008-09.

(S.L. 2009-451, Sec. 10.78)

Child Welfare Post-Secondary Support Program (NC REACH)

The General Assembly suspended General Fund appropriations for NC REACH financial aid in FY 2009-10. However, S.L. 2009-451, Sec. 10.50 authorizes use of up to \$3.2 million from Escheat Fund receipts in FY 2009-10 for continued funding. Due to declining Escheat Fund availability, recurring General Fund appropriations (\$3.2 million) solely support NC REACH financial aid in FY 2010-11.

The NC REACH post-secondary scholarship program, created in FY 2007-08, offers academic financial aid and case management services to youth aging out of foster care and to special needs children adopted from foster care settings after age twelve. Financial aid consists of tuition, fees, room and board, and materials. Eligible recipients must attend one of North Carolina's public higher education institutions. During FY 2008-09, the program awarded approximately \$1.3 million of financial aid to 262 students.

(S.L. 2009-451, Sec. 10.50)

American Recovery and Reinvestment Act (ARRA) Federal Financial Participation (FFP)

The General Assembly reduced General Fund appropriations for Foster Care & Adoption Assistance payments by \$2.8 million in FY 2009-10 and \$1.5 million in FY2010-11. These reductions are based on increased FFP for Title IV-E foster care and adoption assistance, which is authorized by the ARRA through December 31, 2010.

Additionally, the General Assembly reduced net General Fund appropriations for Child Support Enforcement by \$2.2 million in FY 2009-10. This reduction is based on an ARRA temporary provision, which allows states to count federal child support incentives as eligible state expenditures for federal matching.

Division of Social Services

State Aid to Counties

The General Assembly reduced General Fund appropriations for State Aid to Counties by \$5.5 million for each year of the biennium. Net State appropriations for county administrative reimbursements total \$10.9 million in FY 2009-10 and \$11.3 million in FY 2010-11. State Aid to Counties funding offsets some of the costs incurred by counties for administration of the State's public assistance programs.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 10.46A ELIMINATE STATE FUNDING FOR CHILD SUPPORT OFFICES

Presently, sixteen State-operated Child Support Enforcement (CSE) offices serve twenty-eight counties that do not administer local CSE programs. Effective July 1, 2010, S.L. 2009-451, Sec. 10.46A requires these counties to assume administrative and financial responsibilities for their area CSE programs. Affected counties must also submit plans outlining proposed CSE operations to the Division of Social Services by January 1, 2010.

Due to this transition, the General Assembly eliminated recurring funding for the sixteen State-operated CSE offices in FY 2010-11, totaling \$4.1 million in net General Fund appropriations.

Section 10.57 STATE-COUNTY SPECIAL ASSISTANCE

This section reduces the State/County Special Assistance (SA) maximum monthly rate from \$1,207 to \$1,182. Recipients who would become ineligible solely due to the rate reduction are held harmless. The General Assembly reduced General Fund appropriations by \$2.3 million in FY 2009-10 and \$3.3 million in FY 2010-11, representing the anticipated reduction in State Special Assistance payments.

The State-County Special Assistance for Adults program is budgeted within the Division of Social Services, but is administered by the Division of Aging and Adult Services (DAAS). State/County Special Assistance provides a cash supplement to assist low-income individuals residing in adult care homes and in-home settings. Financial participation is shared equally (50/50) between the State and counties. Special Assistance payments were issued to 33,190 individuals during FY 2008-09, with an average monthly payment of \$473.04. FY 2008-09 assistance payments totaled \$150.4 million.

Select Programs and Other Budgetary Information

Temporary Assistance to Needy Families (TANF) Block Grant and Contingency Funds FY 2009-10 Allocation: \$387,502,857

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the Aid to Families of Dependent Children (AFDC), Job Opportunities and Basic Skills Training (JOBS), and Emergency Assistance (EA) programs with the Temporary Assistance for Needy Families (TANF) Block Grant program. TANF allows states flexibility in the design and operation of their welfare programs, emphasizing support of the family unit and reducing dependence on government assistance.

Division of Social Services

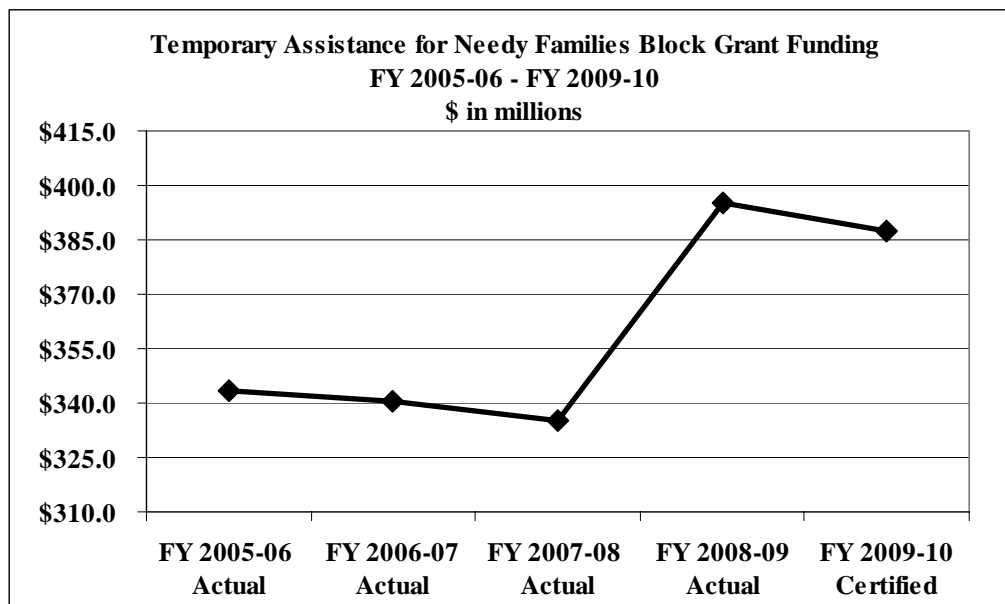
North Carolina’s TANF block grant is used primarily to fund Work First, the State’s welfare program. Work First is administered by the Division of Social Services (DSS) and is comprised of two principal subprograms:

- Work First Family Assistance (WFFA) - temporary financial assistance to eligible families, short-term training and other services to promote self-sufficiency; and,
- Work First County Block Grants – formula allocations (G.S. 108A-27.11) of TANF funds to counties – support a variety of county-administered services for low-income families. Services may include: emergency assistance, transportation, child care, case management, mentoring and afterschool programs, and employment skills training, among others.

TANF is also a significant source of funding for subsidized child care services administered by the Division of Child Development and county departments of social services.

TANF funding is comprised of three grants - basic block, supplemental, and contingency (recession-related). Both the basic block and supplemental grants are annual, fixed grants totaling \$302.2 and \$36.1 million, respectively. To qualify for contingency funds, the State must demonstrate increased spending on TANF programs and increased unemployment or food stamp caseloads. DSS qualified for \$60.4 million of contingency funding for FFY 2008-09, based on increased food stamp caseloads. Approximately \$30.1 million of these receipts is allocated in FY 2009-10.

The total FY 2009-10 TANF allocation, including contingency and unexpended prior year receipts, decreased 1.9 percent from FY 2008-09 expenditures – from \$395.1 to \$387.5 million. As illustrated below, this decrease is mainly due to reductions in State funding for WFFA and increased TANF funding of child care services, which reduced prior year receipts.



The General Assembly adjusted historical TANF allocations as follows for FY 2009-10:

- Reduced funding for certain programs that fall outside of the core functions and purposes of TANF (i.e., Boys & Girls Clubs, Afterschool Services, and Connect, Inc.), in addition to family violence prevention, by 20 percent;

Division of Social Services

- Maintained FY 2008-09 allocations for Work First County Block Grants, CCDBG transfer, and subsidized child care, which represent approximately 67 percent (\$239.9 million) of total TANF receipts;
- Reduced funding for Work First Family Assistance by 1.7 percent, to \$89.3 million from TANF Block Grant (\$87 million) and TANF Contingency (\$2.2 million) receipts; and,
- Appropriated TANF Contingency funds to offset reductions in General Fund appropriations for Electing Counties' Work First programs (\$2.4 million) and subsidized child care services (\$12.5 million).

Additionally, Section 10.78.(s) of S.L. 2009-451 directs the Division of Social Services to apply for TANF Emergency Contingency Funds authorized by the American Recovery and Reinvestment Act. To qualify, DSS must demonstrate increased quarterly assistance expenditures and caseloads, relative to quarterly expenditures and caseloads in a base year, either FFY2007 or 2008. Section 10.78.(s) authorizes DSS to spend \$1.9 million to implement a Pay-for-Performance Work First Benefits Program to improve work participation rates, and to use excess receipts for Work First Family Assistance.

(Sec. 10.78, S.L. 2009-451)

Social Services Block Grant

FY 2009-10 Allocation: \$63,661,146

In 1981, federal matching funds for social services and staff training were combined into the Social Services Block Grant (SSBG) – Title XX of the Social Security Act – as part of the Omnibus Budget Reconciliation Act of 1981 (as amended, Public Law 97-35). SSBG funds may be used for services that accomplish one of the five following goals:

- To prevent, reduce, or eliminate dependency on governmental assistance;
- To achieve or maintain self-sufficiency;
- To prevent or remedy neglect, abuse, or exploitation of children and adults who are unable to protect their own interests;
- To prevent or reduce inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and
- To secure referral or admission for institutional care when other forms of care are not appropriate, or provide services to individuals in institutions.

North Carolina's SSBG are used to meet the federal goals through various social services programs coordinated by county departments of social services and other DHHS divisions.

SSBG-supported programs and activities include:

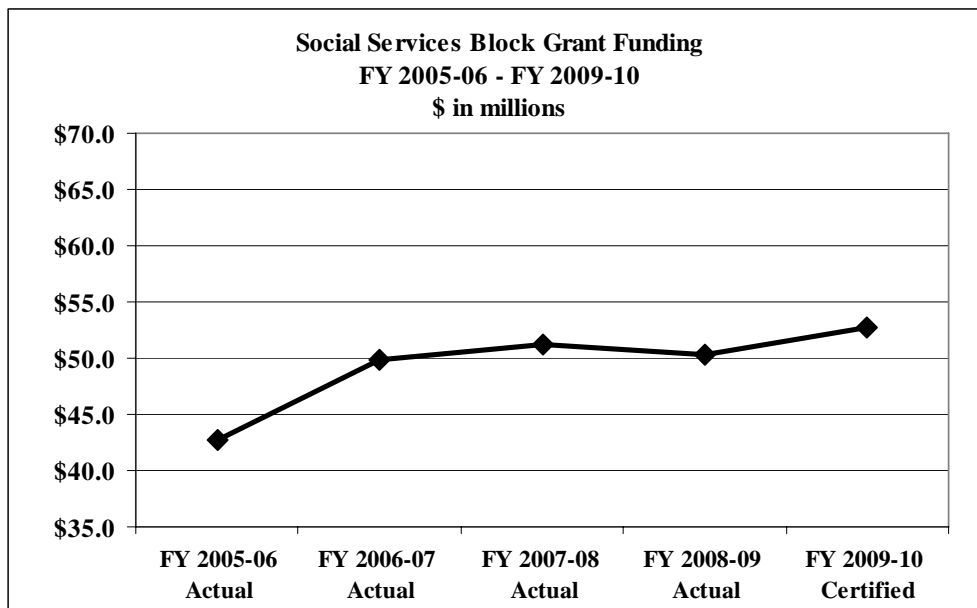
- Counties' social services programs (\$28.9 million);
- Mental Health, Developmental Disabilities, and Substance Abuse services (\$8.7 million);
- In-home and adult day care services (\$4.3 million);
- Training for Child Protective Services professionals (\$2.6 million);
- Independent living services (\$3.6 million);
- Subsidized child care (\$3.2 million);
- Teen pregnancy initiatives (\$2.5 million); and,
- Home and Community Care Block Grant (\$1.8 million).

Division of Social Services

The combined FY 2009-10 allocations of SSBG receipts and TANF transfers to SSBG decreased 4.0 percent (\$2.7 million) from FY 2008-09 allocations. This decrease is the net result of a \$5.0 million reduction in funds transferred from TANF to SSBG, and a \$2.3 million increase in SSBG funding derived from receipts carried forward from prior fiscal years.

The General Assembly eliminated TANF funding for the Support Our Students program, reducing the amount transferred to SSBG by \$2.6 million. It also reduced the amount transferred from TANF, and increased SSBG funding for foster care services by nearly \$2.0 million to maintain FY 2008-09 funding levels. In addition, the General Assembly increased funding for Child Medical Evaluations by \$371,134. Furthermore, Section 10.78(t) of S.L. 2009-451 exempts SSBG funding for child medical evaluations from the State matching requirements (25 percent) set forth in 10A NCAC 71R .0201(3).

The following graph illustrates the variations in SSBG expenditures, excluding transfers from TANF. As shown, SSBG funding has remained relatively constant, and slightly increased in FY 2009-10 due to funding carried forward from prior fiscal years.



(Sec. 10.78, S.L. 2009-451)

Low-Income Home Energy Assistance Program Block Grant

FY 2009-10 Allocation: \$55,808,166

The federal Low Income Home Energy Assistance Program (LIHEAP) Block Grant funds multiple State programs that provide energy assistance to low-income households. LIHEAP principally funds the Low Income Energy Assistance (LIEAP) and Crisis Intervention (CIP) programs administered by the Division of Social Services:

- LIEAP provides a one-time cash payment, usually received in February, to eligible low-income households to defray heating costs; whereas,
- CIP provides temporary assistance (up to \$600 per application, per crisis) to eligible low-income households during heating or cooling emergencies.

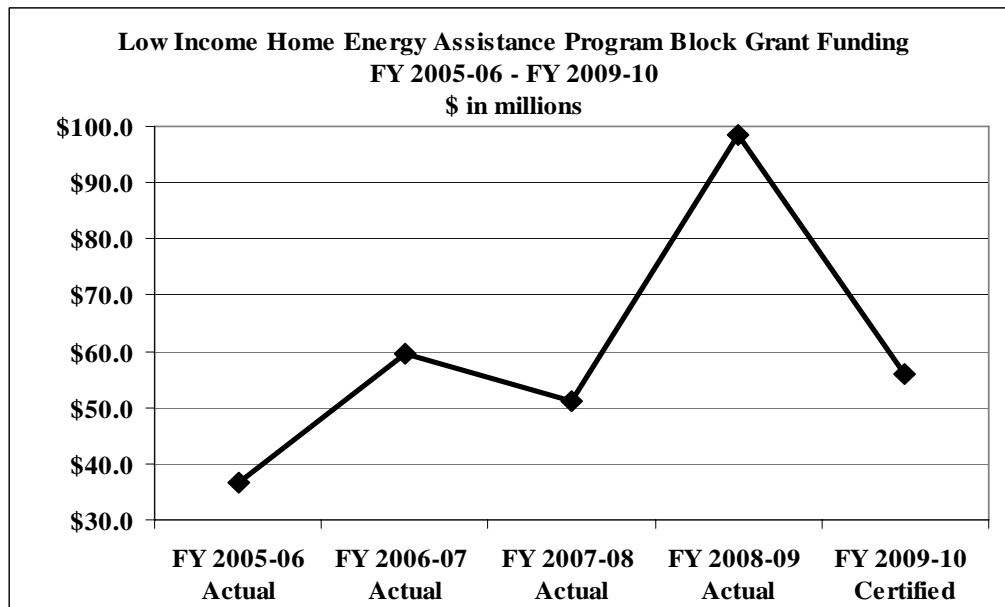
Division of Social Services

LIHEAP also funds the Heating Air Repair and Replacement (HARRP) and Weatherization Assistance (WAP) programs administered by the Residential Energy Conservation Assistance Program in the Division of Central Management (see Division of Central Management section for additional information).

The FY 2009-10 LIHEAP allocation increased \$8.9 million, or 19 percent, relative to the FY 2008-09 allocation. This increase is mainly due to increased federal funding for federal fiscal year (FFY) 2008-09, and reflects receipts in the last quarter of FFY 2008-09 and anticipated carry-forward to FY 2009-10. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 nearly doubled federal LIHEAP funding for FFY 2008-09, increasing North Carolina’s allotment from \$41.6 million in FFY 2007-08 to \$130.2 million in FFY 2008-09.

As a result, the General Assembly increased program and administrative allocations across-the-board in FY 2009-10. In addition, the General Assembly reduced FY 2009-10 LIHEAP allocations for WAP and increased allocations for LIEAP and CIP, due to additional American Recovery and Reinvestment Act funding for weatherization assistance, totaling \$132 million. Relative to FY 2008-09 allocations, LIEAP and CIP funding increased 33 percent and 39 percent, respectively. Overall, nearly 96 percent of FY 2009-10 LIHEAP funding is allocated to the LIEAP (\$25.9 million) and CIP (\$20.2 million) programs.

The following chart illustrates the increase in federal funding during FFY 2008-09. As shown, total FY 2008-09 LIHEAP expenditures increased 92.9 percent from FY 2007-08.



(Sec. 10.78, S.L. 2009-451)

Additional Legislation

No relevant information to report.

Division of Vocational Rehabilitation

G.S. 143.547 Duties and Responsibilities

Agency Description:

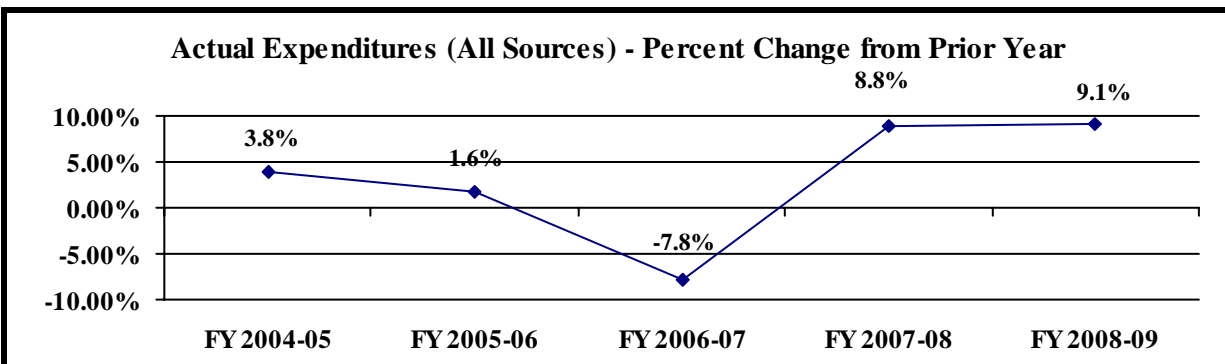
The Division of Vocational Rehabilitation Services (DVRS) is tasked with promoting the employment and independence of people with disabilities. DVRS facilitates access to comprehensive rehabilitation services through client assistance and direct services. The Division also serves as the federal contract agency responsible for eligibility determinations for Social Security Disability Insurance (SSDI) and Supplement Security Income (SSI) benefits.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	128,109,546	139,796,034	151,871,223	135,817,219
Revenue	84,086,358	103,723,787	109,864,943	94,797,046
Net Appropriations	\$44,023,188	\$36,072,246	\$42,006,280	\$41,020,173
Positions (FTE)	1,056.00	1,054.70	1,051.70	1,051.70

Budget Overview:

The budget for the Division of Vocational Rehabilitation Services (DVRS) is \$151.9 million for FY 2009-10 and \$135.8 million for FY 2010-11. The FY 2009-10 budget represents an increase of 8.6% from FY 2008-09 actual expenditures, due primarily to an additional \$15.1 million in American Recovery and Reinvestment Act funding. Net General Fund appropriations account for 27.7% of the Division's budget. Revenues, primarily federal Basic Vocational Rehabilitation grant receipts, support 72.3% of total budgeted expenditures. Vocational Rehabilitation (VR) and related programs (counseling and placement, case services, rehabilitation facilities, client assistance, and supported employment) comprise over 80% of the DVRS budget.

The Division's annual expenditures increased by an average of 3.1% from FY 2004-05 to FY 2008-09. The sizeable increase in expenditures between FY 2006-07 and FY 2007-08 resulted from adjusting the income eligibility threshold for Independent Living and VR programs to 125% of the federal poverty level. Similarly, the increase in expenditures from FY 2007-08 to FY 2008-09 is mainly attributable to receipt-supported increases in VR case services.



Division of Vocational Rehabilitation

Budget Tables

The following table provides a breakdown of the Division of Vocational Rehabilitation's total General Fund operating budget by program, service or administrative purpose.

Division of Vocational Rehabilitation (14480 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Management and Support Services	7,588,578	7,588,578
Counseling and Placement Services - State	34,653,104	34,653,104
Counseling and Placement Services - Third Party	11,832,063	11,832,063
Community Rehabilitation Facilities and Programs	2,812,023	2,812,023
Case Services	57,194,298	56,194,709
Social Services Block Grant	251,018	251,018
Client Assistance Program	308,160	308,160
Supported Employment Program	616,352	616,352
NC Assistive Technology Project	1,976,524	1,976,524
Independent Living Programs	19,172,696	19,172,503
ARRA Programs (Vocational Rehabilitation and Independent Living)	15,255,392	201,170
Control Fund, Reserves, Prior Year Revenue and Adjustments	211,015	211,015
TOTAL	151,871,223	135,817,219
Revenue	(109,864,943)	(94,797,046)
NET GENERAL FUND APPROPRIATIONS	\$42,006,280	\$41,020,173

The following table provides a breakdown of the funds administered by the Division of Vocational Rehabilitation, including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
DVR (14480—General Fund)	151,871,223	135,817,219
Regional Facilities (24480 — Special Fund)	526,652	526,652
Disability Determination (24481—Special Fund)	72,428,465	72,661,684
TOTAL	\$224,826,340	\$209,005,555

Other Funds

The Division of Vocational Rehabilitation Services (DVRS) is the designated State agency responsible for administering federally-funded disability determination services. DVRS administers these services through the Disability Determination Services (DDS) Section and special fund.

Division of Vocational Rehabilitation

Disability Determination (24481)

Balance: \$0
(as of June 29, 2009)

The Disability Determination special fund serves as the operating budget for DDS. The Fund is supported by federal receipts and transfers from the Division of Medical Assistance to cover Title XIX, Social Security Act match requirements for Medicaid eligibility determinations. The DDS budget for FY 2009-10 is \$72.4 million, representing a 35.8% increase from FY 2008-09 expenditures. The majority of the budget supports 762 DDS positions, including 132 positions added as part of the FY 2009-10 budget.

Because the services provided by the Disability Determination Services (DDS) section of DVRS are contracted, fiscal year-end balances do not carry forward and instead revert to the federal government. Therefore, there is no net balance (\$0) in the Disability Determination special fund at the end of each fiscal year.

Disabled residents apply for income support through the Social Security Administration (SSA) at local SSA offices, which then forward applications to DDS for disability determination. SSA is ultimately responsible for making final eligibility determinations for its two benefits programs, which replace part of the income an individual or family loses due to disability:

- Social Security Disability Insurance (SSDI) – covers workers who are disabled, disabled widows/widowers, and disabled adult children of workers; and
- Supplemental Security Income (SSI) – covers adults and children based on income.

During federal FY 2008-09, DDS closed 198,032 (SSDI, SSI, and Medicaid) of 203,972 cases received, with a performance/accuracy rate of 94.3 percent as of August 2009 for Social Security Disability Insurance and Supplemental Security Income claims.

Significant Legislative Budget Actions

Vocational Rehabilitation Case Services Program

The General Assembly reduced State appropriations for non-medical consumer purchases and services by \$2,619,872 for FY 2009-10 and \$3,612,025 for FY 2010-11. Non-medical goods and services include rehabilitation/assistive technology (computers, hearing and mobility devices, etc.), training materials, interpreter/reader services, transportation services, assessments/vocational evaluations, job coaching, and other services, equipment, and materials specific to individuals' rehabilitative needs.

American Recovery and Reinvestment Act (ARRA) non-recurring appropriations for Vocational Rehabilitation (VR) services will temporarily offset the reduction in State funding for case services. Of the anticipated \$18 million in ARRA receipts for VR, approximately \$15.1 million is allocated for VR services provided through DVRS. The remaining VR ARRA funds are allocated for services provided by the Division of Services for the Blind (DSB). These ARRA funds do not require a state match or maintenance of effort (MOE); however, funds must be obligated by September 20, 2011.

Division of Vocational Rehabilitation

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

No relevant information to report.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Health and Human Services

GENERAL FUND

Adjusted Continuation Budget	FY 09-10		FY 10-11	
	\$5,536,344,939		\$5,806,560,945	
Legislative Changes				
(1.0) Division of Child Development				
1 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	(\$62,462)	R	(\$75,601)	R
2 Eliminate Positions	(\$87,375)	R	(\$87,375)	R
Eliminates positions within the Division of Child Development. (S.L. 2009-451, Sec. 10.35A)	-2.00		-2.00	
3 Reduce Operating Expenses	(\$20,000)	R	(\$20,000)	R
Reduces operating expenses within the central management of Division of Child Development.				
4 Contracts	(\$131,554)	R	(\$131,554)	R
Eliminates funds to administer the testing-out option for the required coursework for lead child care teachers. As of July 2008, lead child care teachers may no longer test out of coursework; therefore, these funds are not needed. Reduces a contract for Seat Management.				
5 Child Care Subsidies	(\$15,186,301)	R	(\$15,186,301)	R
Reduces child care subsidies.				
6 Replace State Funds for Child Care Subsidy	(\$12,452,484)	NR		
Replaces State funding for child care subsidy with one-time Temporary Assistance for Needy Families Block Grant (TANF) contingency funds for FY2009-10. (S.L. 2009-451, Sec. 10.78(a))				
7 Increase Fees for Child Care Centers and Charge a Fee for Child Care Homes	(\$602,385)	R	(\$602,385)	R
Increases the existing child care licensure fees by 50% and reduces the State appropriations within the Division of Child Development. Imposes a new fee for child care homes equal to the amount that the smallest centers are required to pay. (S.L. 2009-451, Sec. 10.11)				

8 Federal Recovery Funds for Child Care Subsidy

Increases funds for child care subsidy to reduce the waiting list as allowed by the Federal Recovery Act by \$53,993,329. Increases funds for quality initiations, as allowed by the Federal Recover Act by \$11,519,144. Increases funds to local governments for the administration of the child care subsidy program by \$2,030,661.
(S.L. 2009-451, Sec. 10.78(a))

9 Reduce Smart Start Funding

Reduces funds for the North Carolina Partnership for Children.

(\$15,965,000)	R	(\$16,330,000)	R
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10 Replace State Funding for TEACH Program

Replaces State funds for the TEACH Program with federal receipts for two years.
(S.L. 2009-451, Sec. 10.78(a))

(\$3,800,000)	NR	(\$3,800,000)	NR
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(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services**11 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level**

(\$74,408,533)	R	(\$91,641,479)	R
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12 Contracts

Reduces State funds for contracts managed within the Division's central office.

(\$785,000)	R	(\$785,000)	R
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13 Eliminate Positions

Eliminates positions within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
(S.L. 2009-451, Sec. 10.35A)

(\$12,858,290)	R	(\$12,858,290)	R
-350.00		-350.00	

14 Local Management Entities System Management Funds

Reduces funds for administration of Local Management Entities.

(\$3,042,440)	R	(\$3,663,952)	R
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15 CAP/MR-DD Reduction in State Supplemental Funds

Reduces service funds for supplemental state-funded services provided to CAP/MR-DD patients. State funds are still allowed for room, board, and other services.
(S.L. 2009-451, Sec. 10.21B)

(\$16,000,000)	R	(\$16,000,000)	R
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16 Reduces Funds at Broughton and Cherry Hospitals

Reduces funds at Broughton and Cherry Hospitals.

(\$6,027,471)	R	(\$6,027,471)	R
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17 Federal Funds Payback for Broughton Hospital

Reduces State funds due to a pay-back of federal funds expected from Centers for Medicare & Medicaid Services. An Administrative Law Judge ruled that Broughton Hospital should not have been decertified in August 2007 and that federal funding should not have been withheld. This payback of funds will replace State funds within the DMHDDSAS budget.

(\$9,300,000)	NR
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18 Non-Core State Operated Services	(\$4,500,000)	R	(\$4,500,000)	R
Reduces funds for state operated services that are not core to the mission of DMH,DD,SAS. (S.L. 2009-451, Sec.10.21C)				
19 Non-Core Community Services	(\$4,017,219)	R	(\$4,017,219)	R
Reduces funds for community services that are not core to the mission of DMH,DD,SAS.				
20 Operating Expenses	(\$1,250,000)	R	(\$1,250,000)	R
Reduces funds from operating accounts within the division's central office by \$250,000. Reduces funds at the maintenance facilities by \$1,000,000.				
21 Increase Patient Receipts at Alcohol, Drug Abuse Treatment Centers	(\$662,867)	R	(\$1,127,895)	R
Reduces State funds at the ADATC's in anticipation of additional patient revenues collected. This is due to the increased bed capacity available at the ADATC's.				
22 State Funded Services	(\$40,000,000)	NR	(\$40,000,000)	NR
Reduces funds for state-funded services provided through Local Management Entities. (S.L. 2009-575, Sec.19A(a) amends S.L.2009-451, Sec.10)				
23 State Operated Services Purchasing/Financial Savings	(\$2,000,000)	R	(\$2,000,000)	R
Reduces funds due to savings to be achieved from bulk purchasing among state-owned facilities within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. (S.L. 2009-184)				
24 Crisis Services	\$12,000,000	R	\$12,000,000	R
Provides funds for local inpatient bed capacity located within community hospitals. (S.B. 408/H.B. 457; S.L. 2009-451, Sec. 10.12(b))				
25 Dorothea Dix Operations	\$6,000,000	NR		
Provides funds for operations at Dorothea Dix hospital. (S.L. 2009-451, Sec. 10.21E)				
26 Annualize Mobile Crisis Teams	\$1,045,000	R	\$1,045,000	R
Provides funding for the Mobile Crisis Teams that were initially funded in 2008-09 budget. (S.L. 2009-451, Sec. 10.12(d))				
27 Annualize START	\$579,084	R	\$579,084	R
Provides funding for the START crisis services that were partially funded in FY2008-09.				

(3.0) Division of Public Health

28 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	(\$8,670,368)	R	(\$11,860,655)	R
29 Reduce Operating Budgets Reduces operating budgets within three branches of the Division of Public Health.	(\$348,363)	R	(\$348,363)	R
30 Eliminate Positions within Division of Public Health Eliminates positions within the Division of Public Health.	(\$2,405,121)	R	(\$2,405,121)	R
	-45.00		-45.00	
31 Reduce AIDS Drug Assistance Program Reduces State funds used to purchase pharmaceuticals. Pharmaceuticals from the "drug reserve" inventory will be used. (S.L. 2009-451, Sec. 10.25)	(\$3,074,119)	NR	(\$3,074,119)	NR
32 Vital Records Fee Increase Reduces State funds by allowing Vital Records operation to become receipt-supported. Fee charged for copy of vital records increased from \$15 to \$24 per copy. Fee charged for expedited out-of-state service increased by \$5.	(\$1,226,403)	R	(\$1,226,403)	R
33 Reduce Funds for Public Health Incubator Program Reduces State funds for Local Health Services Incubator Grant program.	(\$850,000)	R	(\$850,000)	R
34 Shift Positions to Receipt Support Replaces State appropriation with federal WIC funds for public health and regional consultants.	(\$70,541)	R	(\$70,541)	R
35 Reduces Community Focused Eliminating Health Disparities Initiative Reduces funds for Community Focused Eliminating Health Disparities Initiative. (S.L. 2009-451, Sec. 10.23)	(\$50,000)	R	(\$50,000)	R
36 Eliminate Positions and Reduce Contracts in Early Intervention Program Eliminates nine vacant positions and reduces contract funding for four Children's Developmental Service Agencies (CDSA's).	(\$660,054)	R	(\$660,054)	R
	-9.00		-9.00	
37 Replace State Funds with Federal ARRA Funds for Early Intervention Replaces State appropriations with American Recovery and Reinvestment Act Funds for the Early Intervention/Infant and Toddler Program.	(\$2,700,000)	NR	(\$2,700,000)	NR

38 Replace State Funds with Federal Receipts	(\$1,191,155)	R	(\$1,191,155)	R
Replaces State appropriations with Maternal Child Health Block Grant and Medicaid administration funds for several maternal, infant, and child programs.				
39 Eliminate Statewide Contracts	(\$457,967)	R	(\$457,967)	R
Eliminates funds that support the collection and analysis of hospital, family and community data concerning infants and children.				
40 Reduce Contract Funding for Children and Youth	(\$903,965)	R	(\$903,965)	R
Reduces contract funds for three contracts that historically have unobligated funds.				
41 Reduce Funding for Accreditation of Local Health Departments	(\$650,000)	NR		
Suspends for one year the Division of Public Health's evaluation and accreditation of Local Health Departments (LHD's).				
42 Transfer Funding for Tick-Borne Disease Program	(\$139,802)	R	(\$139,802)	R
Transfers the funding for the Tick-Borne Disease Program to the Department of Environment and Natural Resources.				
43 Eliminate Kidney Disease Purchase of Medical Care Program	(\$394,255)	R	(\$394,255)	R
Eliminates the Kidney Disease Purchase of Medical Care Program that provides up to \$300 for persons with annual incomes up to 100% FPL. Persons with End-Stage Renal Disease are eligible for health care services through Medicare. The program was suspended in January 2009.				
44 Eliminate Epilepsy Purchase of Medical Care Program	(\$193,181)	R	(\$193,181)	R
Eliminates the Epilepsy Purchase of Medical Care Program that serves a minimum number of persons who have annual incomes up to 100% FPL. The program was suspended in January 2009.				
45 Eliminate Adult Cystic Fibrosis Program	(\$210,088)	R	(\$210,088)	R
Eliminates the Adult Cystic Fibrosis Purchase of Medical Care program which serves a minimum number of persons. The program was suspended in January 2009.				
46 Eliminate Funding for Cancer Purchase of Medical Care Program	(\$2,531,934)	R	(\$2,531,934)	R
Eliminates the Cancer Purchase of Medical Care Program that provides less than comprehensive services to persons with annual incomes of under 100% FPL. The program was suspended in January 2009.				

	FY 09-10		FY 10-11	
47 Eliminate Health Education for Children Contract	(\$150,000)	R	(\$150,000)	R
Eliminates the contract with the Alice P. Aycock Center to plan, develop, and provide health education programs to children.				
48 Eliminate Media Contract	(\$106,746)	R	(\$106,746)	R
Eliminates the media contract through the National Alliance for Tobacco Cessation.				
49 Eliminate Funds for Tobacco Quit Line	(\$500,000)	R	(\$500,000)	R
Eliminates funding for Tobacco Quit Line. The Quit Line will continue to receive funding from the Health and Wellness Trust Fund.				
50 Eliminate State Funds for Professional and Public Education Contract	(\$371,250)	R	(\$371,250)	R
Eliminates state appropriations for contract with the Southern Atlantic American Cancer Society to conduct training on best practices to physicians and local health departments.				
51 Eliminates Funds for Medically Fragile Children Program	(\$100,000)	R	(\$100,000)	R
Eliminates State funds for the daycare program for medically fragile children in Wake County.				
52 Replace State Funds with Federal Receipts from Ryan White Funds	(\$209,503)	R	(\$209,503)	R
Replace State appropriations with Federal Ryan White funds for Duke University HIV/STD Pediatric Services Program.				
53 Replace State Funds with ARRA Funds for Childhood Immunization	(\$500,000)	NR		
Replaces State appropriations with \$500,000 of the American Recovery and Reinvestment Act funds for one year to purchase of vaccines for children.				
54 Replace State Funds with Third Party Receipts for Immunization	(\$4,000,000)	R	(\$4,000,000)	R
The Department of Health and Human Services will seek third party reimbursement for child and adult immunizations.				
55 Reduce Division of Public Health Contract Funds	(\$4,010,072)	R	(\$4,010,072)	R
Reduces state appropriations for Division of Public Health to eliminate or reduce contracts that either: -Do not meet the Division's core mission; -Do not provide a direct service; -Have had unobligated funds in the past; or -Have not met the goals or deliverables in the contract.				

56 Improve Birth Outcomes and Reduce Infant Mortality

Provides funding to educate women on the benefits of 17-p Progesterone, to purchase medication for eligible women at risk for a pre-term births, and for the continued development and implementation of the safe sleep public awareness campaign.

(S.B. 246/H.B. 479)

\$247,000 NR

57 Prevent Neural Tube Birth Defects

Provides funds for the purchase of multi-vitamins with folic acid to be distributed to low-income women through Local Health Departments and Safety Net Clinics.

(S.B. 374/H.B. 523)

\$480,000 NR

58 Adolescent Pregnancy Prevention Initiative

Provides funding for a grant-in-aid to the Adolescent Pregnancy Prevention Campaign of North Carolina.

(S.B. 85/H.B. 328)

\$250,000 NR

59 Teen Pregnancy Prevention Initiative

Provide funding for the adolescent pregnancy prevention, teen parenting, and school dropout prevention program.

(S.B. 681/H.B. 1152)

\$400,000 NR

60 School Health Nurses

Provides funds to hire 20 additional school nurses to bring the total number of school health nurses supported by Division of Public Health to 232.

(S.B. 240/H.B. 774; S.L. 2009-451, Sec.10.24)

\$1,000,000 R \$1,000,000 R

61 Stroke Prevention

Provides funding for operation of the Stroke Advisory Council, the continued implementation of public awareness campaign, and identification of stroke rehabilitation services throughout the State.

(S.B. 278/H.B. 297)

\$450,000 NR

62 Prevent Blindness

Provides funding for a grant-in-aid to Prevent Blindness North Carolina to expand the pre-kindergarten screening program.

(S.B. 518/H.B. 712)

\$150,000 NR

63 North Carolina Arthritis Patient Services

Provides a grant-in-aid to North Carolina Arthritis Patient Services to support activities.

(S.B. 169)

\$50,000 NR

64 Receipt-Supported Position - Division of Public Health

Creates two new positions in the Division of Public Health/State Laboratory for Public Health to build capacity for 2,100 biomonitoring samples and necessary follow-up testing on drinking water.

Chemist I - \$67,369

These positions are 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

65 Receipt-Support Position - Division of Public Health

Creates one new position in the Division of Public Health/State Laboratory to ensure there is laboratory testing and data entry capacity for the new Biomonitoring program.

Chemist II - \$73,833

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

66 Receipt-Supported Position - Division of Public Health

Creates one new position in the Division of Public Health/State Laboratory to analyze, interpret, and assess data on human exposure to environmental hazards and risks.

Environmental Toxicologist - \$101,867

This position is 100 percent receipt-supported through the Centers for Disease Control and Prevention.

67 Receipt-Supported Position - Division of Public Health

Creates one new position in the Division of Public Health/State Laboratory to ensure there is laboratory testing and data entry capacity for the new Biomonitoring Program.

Processing Assistant IV - \$38,759

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

68 Receipt-Supported Position - Division of Public Health

Creates one new position in Division of Public Health/State Laboratory to oversee and operate and environmental and health database, map data, and assist in preparing material for local health departments.

Program Assistant V - \$41,919

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

69 Receipt-Supported Position - Division of Public Health

Creates two new positions in the Division of Public Health/State Laboratory to conduct surveillance activities to determine the incidence and prevalence of exposure and health effects of noxious metals in under-served populations in North Carolina.

Public Health Epidemiologist II - \$80,901

These positions are 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

70 Receipt-Supported Position - Division of Public Health

Creates one new position in the Division of Public Health/State Laboratory will provide oversight for the federally-funded "Population-based Surveillance for Hemoglobinopathics Project."

Public Health Program Supervisor I - \$67,369

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

71 Receipt-Supported Position - Division of Public Health

Creates one new position in the Division of Public Health/State Laboratory to work closely with medical centers and community-based organizations and sickle cell education counselors to ensure implementation of data collection.

Public Health Social Research Associate II - \$47,000

This position is 100 percent receipt-supported through the federal Centers of Disease Control and Prevention.

72 Receipt-Supported Position - Division of Public Health

Creates one new position in Division of Public Health to be responsible for the development and implementation of an Asthma Evaluation Plan, that will include local entities.

Human Services Planner/Evaluator II - \$61,632

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

73 Receipt-Supported Position - Division of Public Health

Creates one new position in the Division of Public Health to serve as a project director to coordinate State-level child wellness efforts through the State Council on Young Child Wellness.

Human Services Planner/Evaluator IV - \$73,833

This position is 100 percent receipt-supported through the federal Substance Abuse and Mental Health Services Administration.

74 Receipt-Supported Position - Division of Public Health

Creates one new position in the Division of Public Health to coordinate statewide distribution, surveillance and necessary reporting through the NC Electronic Disease Surveillance Systems, associated with vaccines.

Public Health Nurse Consultant II - \$75,209

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

75 Receipt-Supported Position - Division of Public Health

Creates 4 new positions in the Division of Public Health to serve as Regional Immunization Consultants to specified state catchment areas. Activities included surveys of public and private providers and technical assistance to daycare facilities and schools.

Public Health Program Consultant I - \$61,632

These positions are 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

76 Receipt-Supported Position - Division of Public Health

Creates one new position in Division of Public Health to assist public and private health care providers in using the NC Electronic Disease Surveillance System. The focus is on STD prevention.

Administrative Assistant II - \$49,290

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

77 Receipt-Supported Position - Division of Public Health

Creates one new position in Division of Public Health to assist public and private health care providers in using the NC Electronic Disease Surveillance System. The focus is on HIV prevention.

Administrative Assistant II - \$49,290

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

78 Receipt-Supported Position - Division of Public Health

Creates one new position in the Division of Public Health to coordinate preparedness and response efforts as it relates to pandemic influenza and mass fatality events. The position will work across DPH and other state agencies.

Public Health Program Manager I - \$80,901

This position is 100 percent receipt-supported through the federal Centers for Disease Control and Prevention.

(4.0) NC Health Choice

79 Eliminate Inflationary Increase

(\$7,076,746) R (\$7,076,746) R

Eliminates the inflation increase the in the Per Member/Per Month premium cost for Health Choice.

80 Reduce Operating Expense

(\$23,645) R (\$23,645) R

Reduces various operating accounts that historically have unobligated funds.

81 Establish/Increase Emergency Room Co-payment for Non-emergency Visits

(\$217,665) R (\$317,728) R

Reduces State funding by establishing a \$25 co-payment for non-emergency visits for families with children at 100% to 150% federal poverty level (FPL), and the current co-payment of \$20, be increased to \$25 for families with children between 150% and 200% FPL.

82 Increase Co-Payments for Prescription Drugs

(\$450,000) R (\$450,000) R

Reduces State funding by increasing co-payments for prescription drugs:
 \$2 for Generic Drugs; \$2 for Brand Name Drugs without Generic Equivalent; \$5 for Brand Name Drugs for families at or below 150% federal poverty level (FPL); and \$10 for families above 151% FPL.

83 Eliminates Funding for CCNC-Health Choice

(\$900,000) R (\$900,000) R

Eliminates the per member/per month payment to the Community Care of North Carolina networks associated with Health Choice enrollees.

(S.L. 2009-451, Sec. 10.35)

84 Health Choice Enrollment Growth

\$17,096,952 R \$21,942,732 R

Provides funds to increase enrollment in Health Choice by 7% or 9,098 children in SFY 2009-10 and increase enrollment in SFY 2010-11 by 3%.

(S.L. 2009-451, Sec. 10.34)

(5.0) Division of Central Management and Support**85 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level**

(\$2,326,439) R (\$2,793,542) R

86 Reduce Physician Loan Repayment Program

(\$210,000) R (\$210,000) R

Reduces state appropriations and the number of contracts awarded by approximately eight.

87 Reduce Psychiatric Loan Repayment Program

(\$140,000) R (\$140,000) R

Reduces state appropriations and reduces the number of contracts by two from the prior year.

88 Eliminates Loan Repayment Initiative at State Facilities

(\$868,519) R (\$868,519) R

Eliminates funding that the General Assembly appropriated in the 2008 Session to recruit medical doctors to the State's mental health hospitals. To date, these funds have not been awarded.

89 Reduce Community Health Grants

(\$140,000) R (\$140,000) R

Reduces funding for the Community Health Grant program by 7%, leaving \$1,860,000 recurring. This reduction decreases the number of grants awarded annually by approximately two.

(S.L. 2009-451, Sec. 10.37)

90 Medication Assistance Program

Provides \$2,745,000 in SFY 2009-10 and \$3,000,000 in SFY 2010-11 from the Health and Wellness Trust Fund (HWTF) to support the Medication Assistance Program. The program assists indigent residents in need of prescription drugs accessing pharmaceutical manufacturers' free drug programs.

91 Aid to Safety Net Community Health Centers

\$5,000,000 R \$5,000,000 R

Provides funding on a competitive grant basis to increase the capacity of rural health centers, local health departments, free clinics, school-based health centers, and other entities to provide health care to low-income and uninsured persons.

(S.B. 282/H.B. 481; S.L. 2009-451, Sec. 10.37)

2009 Annotated Conference Committee Report

	FY 09-10		FY 10-11	
92 Health Net	\$2,000,000	R	\$2,000,000	R
Appropriates funds to expand access to comprehensive health services for uninsured individuals.				
93 Rural Hospitals Operation and Maintenance	\$1,600,000	NR		
Provides funding for small rural hospitals for assistance with operations and infrastructure maintenance.				
94 Eliminate Positions	(\$1,405,456)	R	(\$1,405,456)	R
Eliminates Central Management and Support positions. (S.L. 2009-451, Sec. 10.35A)				
	-18.00		-18.00	
95 Reduce Funding for Special Appropriations	(\$875,000)	R	(\$1,275,000)	R
Reduces grants-in-aid to non-profits, including the Institute of Medicine, Food Runners, Special Olympics, ALS Association, and Action for Children. (S.L. 2009-451, Sec. 10.39)				
96 Discontinue CARE-LINE 24/7/365 Operation	(\$128,502)	R	(\$128,502)	R
Eliminates the CARE-LINE third shift.				
	-2.00		-2.00	
97 Reduce Rental Subsidy	(\$1,155,000)	NR		
Reduces funding for transfer to the North Carolina Housing Finance Agency for Key Program rental subsidies. Approximately 310 rental units will not be ready for occupancy in FY 2009-10.				
98 Reduce Operating Budgets	(\$349,235)	R	(\$349,235)	R
Reduces operating budgets within Central Management and Support divisions and offices, including the Secretary's Office, the Administrative Support section, the Controller's Office, and the Office of Rural Health and Community Care.				
99 Federal Recovery Funds for Weatherization Assistance				
Appropriates \$131,954,536 of Federal Recovery funds for weatherization assistance to low-income North Carolinians.				
(Note: S.L. 2009-446 transfers the Office of Economic Opportunity's Residential Energy Conservation Assistance Program, which administers the Weatherization Assistance and Heating and Air Repair and Replacement Programs, to the Department of Commerce - program appropriations and positions are transferred via type-I transfer.)				
(6.0) Division of Social Services				
100 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	(\$850,341)	R	(\$860,845)	R

2009 Annotated Conference Committee Report

	FY 09-10		FY 10-11	
101 Eliminate Positions	(\$694,570)	R	(\$694,570)	R
Eliminates positions within the Division of Social Services. (S.L. 2009-451, Sec. 10.35A)	-22.00		-22.00	
102 Reduce Operating and Contracts Budgets	(\$1,774,570)	R	(\$1,774,570)	R
Reduces operating and contract budgets across all sections of the Division of Social Services.				
103 Work First Cash Assistance Funding	(\$7,178,459)	R	(\$7,178,459)	R
Reduces General Fund appropriations for Work First Cash Assistance payments.				
104 Electing Counties Work First State Funds	(\$2,378,213)	NR		
Reduces General Fund appropriations and budgets TANF Contingency funds for Work First Cash Assistance payments and Work First County Block Grants for Electing Counties. (S.L. 2009-451, Sec. 10.78.(a))				
105 Reduce Funds for Family Resource Centers	(\$200,000)	R	(\$200,000)	R
Reduces funding for Family Resource Centers.				
106 Reduce Funds for Child Advocacy Centers	(\$200,000)	R	(\$200,000)	R
Reduces funding for the twenty-one (21) accredited Child Advocacy Centers statewide. This reduction leaves \$375,000 in recurring funding.				
107 Replace State Funds for Maternity Home Services	(\$105,002)	R	(\$105,002)	R
Replaces General Fund appropriations for Maternity Home Services with TANF Block Grant funds. (S.L. 2009-451, Sec. 10.78.(a))				
108 Reduce Funding for NC Reach	(\$3,168,250)	NR		
Suspends General Fund appropriations for NC Reach post-secondary scholarship support in FY 2009-10. (S.L. 2009-451, Sec. 10.50)				
109 Recovery Funds for Foster Care and Adoption Assistance	(\$2,840,235)	NR	(\$1,452,537)	NR
Reduces General Fund appropriations to reflect enhanced federal participation for Title IV-E adoption and foster care assistance payments, effective through December 31, 2010.				
110 Federal Recovery Funds for Child Support Enforcement	(\$2,214,542)	NR		
Reduces General Fund appropriations and budgets federal funds to reflect the temporary reinstatement of federal matching of child support incentive funds.				
111 Reduce State Aid to Counties	(\$5,473,985)	NR	(\$5,473,985)	NR
Reduces funding to support costs associated with county administration of public assistance programs.				

112 Budget Over-realized Receipts	(\$600,000)	R	(\$600,000)	R
Budgets over-realized Child Support Enforcement receipts.				
113 Eliminate Funding for Child Support Offices			(\$4,082,811)	R
Eliminates funding for the sixteen (16) state-operated child support offices, and transitions administrative responsibility to the twenty-eight (28) counties served by those offices. (S.L. 2009-451, Sec. 10.46A)				
114 Reduce State/County Special Assistance Rates	(\$2,260,521)	R	(\$3,286,281)	R
Effective October 1, 2009, retracts 75% of the State/County Special Assistance rate increase made effective January 1, 2009, and holds disenfranchised recipients harmless for the change in the standard of need. (S.L. 2009-451, Sec. 10.57.(b))				
115 Child Welfare Collaborative				
Provides funding to continue support of Collaborative social work programs at UNC-Charlotte, Fayetteville State University, UNC-Pembroke, and Western Carolina University. (S.B. 33/H.B. 90; S.B. 1084; S.L. 2009-451, Sec. 10.78.(q))				
116 Food Banks				
Provides a non-recurring grant-in-aid to be equally distributed to the six regional food banks within North Carolina. (S.B. 279/H.B. 389)				
(7.0) Office of Education Services				
117 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	(\$471,414)	R	(\$523,322)	R
118 Reduce Operating Budget	(\$1,661,090)	R	(\$1,661,090)	R
Reduces operating and contract budgets office-wide.				
119 Eliminate Positions	(\$1,350,212)	R	(\$1,350,212)	R
Eliminates five (5) vacant positions at the North Carolina School for the Deaf (NCSD), eleven (11) at Eastern North Carolina School for the Deaf (ENCSD), fourteen (14) at Governor Morehead School for the Blind (GMS), and two (2) at Governor Morehead Preschool.				
120 Transfer from OES Trust Fund				
Reduces General Fund appropriations and transfers \$175,321 of available cash balance from various funds within Budget Code 64424 to support residential school operations. (S.L. 2009-451, Sec. 10.51A.(a))				

121 Reduce Funding for Residential Schools	(\$500,000)	R	(\$500,000)	R
Reduces funding for the North Carolina School for the Deaf, Eastern North Carolina School for the Deaf, and Governor Morehead School for the Blind.				
(8.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing				
122 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	(\$181,228)	R	(\$240,170)	R
123 Eliminate Positions	(\$130,777)	R	(\$130,777)	R
Eliminates positions within the Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing. (S.L. 2009-451, Sec. 10.35A)				
	-3.00		-3.00	
124 Reduce Operating Budget	(\$107,712)	R	(\$107,712)	R
Reduces operating budgets division-wide.				
125 Replace State Funds with Federal Receipts	(\$150,000)	R	(\$150,000)	R
Reduces General Fund appropriations and budgets Basic Support Vocational Rehabilitation Grant receipts.				
126 Provider Reimbursement Rate Adjustment	(\$75,166)	R	(\$82,318)	R
Reduces Medical Eye Care, Vocational Rehabilitation, and Independent Living provider reimbursement rates. (S.L. 2009-451, Sec. 10-55.(b))				
127 Shift Regional Resource Centers to Receipt Support	(\$2,142,166)	R	(\$2,142,166)	R
Shifts the Regional Resource Centers within the Division of Services for the Deaf and Hard of Hearing to receipt support. Revenues from the wireless surcharge set forth in G.S. 62-157.(i) and remitted to the Telecommunications Relay Trust Fund will support the operations of the seven Regional Resource Centers. (S.L. 2009-451, Sec. 10.56)				
128 Transfer from Telecommunications Relay Trust Fund				
Transfers \$4,500,000 of available cash balance from the Telecommunications Relay Trust fund, Budget Code 67425, to Nontax Revenue to support General Fund appropriations. (S.L. 2009-451, Sec. 10.56.(a))				
129 Accessible Electronic Information for Blind and Disabled Persons				
Provides funding for contracted electronic information services, which allow visually-impaired persons to access print media through telephone systems. (S.B. 226/H.B. 179)	\$75,000	NR		

130 Replace State Funds with Federal Recovery Funds

Reduces funding for the Older Blind Individuals Independent Living program and budgets Recovery Act funding for Vocational Rehabilitation (\$2,974,779) and the Older Blind Individuals Independent Living program (\$1,042,363).

(\$260,590) NR (\$260,590) NR

(9.0) Division of Vocational Rehabilitation**131 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level**

(\$1,181,339) R (\$1,511,633) R

132 Eliminate Positions

Eliminates positions within the Division of Vocational Rehabilitation.
(S.L. 2009-451, Sec. 10.35A)

(\$329,960) R (\$329,960) R
-3.00 -3.00

133 Reduce Basic Support Case Services

Reduces funding for non-medical consumer purchases.

(\$2,619,872) R (\$3,612,025) R

134 Provider Reimbursement Rate Adjustment

Reduces Vocational Rehabilitation and Independent Living provider reimbursement rates.
(S.L. 2009-451, Sec. 10-55.(b))

(\$80,122) R (\$87,746) R

135 Replace State Funds with Federal Recovery Funds

Reduces funding for the Independent Living program and budgets Recovery Act funding for Vocational Rehabilitation (\$15,054,229) and Independent Living (\$402,340).

(\$201,170) NR (\$201,170) NR

136 Receipt-Supported Positions - Disability Determination Services

Creates eighteen (18) new positions within Disability Determination Services to provide clerical support to professional staff within the case processing unit.

Office Assistant IV - \$38,894

These positions are 100 percent receipt-supported through the Social Security Administration.

137 Receipt-Supported Positions - Disability Determination Services

Creates six (6) new positions within Disability Determination Services to review claimant records, determine sufficiency of evidence, and assist in the determination of impairment severity and residual functional capacity, according to Social Security Administration guidelines.

Physician II - \$122,734

These positions are 100 percent receipt-supported through the Social Security Administration.

138 Receipt-Supported Positions - Disability Determination Services

Creates ninety (90) new positions within Disability Determination Services to process initial level disability claims, determine benefits eligibility and entitlement.

Disability Determination Specialist I - \$48,462

These positions are 100 percent receipt-supported through the Social Security Administration.

139 Receipt-Supported Positions - Disability Determination Services

Creates six (6) new positions within Disability Determination Services to process disability claims, determine benefits eligibility and entitlement, and provide training and leadership in claim development and adjudication.

Disability Determination Specialist III - \$56,033

These positions are 100 percent receipt-supported through the Social Security Administration.

140 Receipt-Supported Positions - Disability Determination Services

Creates six (6) new positions within Disability Determination Services to review claimant records, determine sufficiency of evidence, and assist in the determination of impairment severity and residual functional capacity, according to Social Security Administration guidelines.

Senior Psychologist I - \$88,684

These positions are 100 percent receipt-supported through the Social Security Administration.

141 Receipt-Supported Positions - Disability Determination Services

Creates four (4) new positions within Disability Determination Services to supervise case processing functions.

Disability Determination Supervisor II - \$71,315

These positions are 100 percent receipt-supported through the Social Security Administration.

142 Receipt-Supported Position - Disability Determination Services

Creates a new position within Disability Determination Services to conduct hearings with individuals whose disability benefits under Social Security or Supplemental Security Income have been terminated for medical reasons.

Hearings Officer - \$66,997

These positions are 100 percent receipt-supported through the Social Security Administration.

143 Receipt-Supported Position - Disability Determination Services

Creates a new position within Disability Determination Services to provide network system planning, configuration, installation, maintenance, high-level trouble shooting, and/or security.

Networking Analyst - \$79,437

These positions are 100 percent receipt-supported through the Social Security Administration.

(10.0) Division of Aging and Adult Services

144 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	(\$2,323)	R	(\$6,382)	R
145 Eliminate Positions Eliminates positions within the Division of Aging and Adult Services.	(\$16,025)	R	(\$16,025)	R
146 Eliminate Quality Improvement Consultation Program Eliminates a contract and position that supported a Quality Improvement Program pilot for Adult Care Homes.	(\$190,204)	R	(\$190,204)	R
	-1.00		-1.00	
	-1.00		-1.00	

147 Eliminate Senior Center Outreach Program

(\$100,000) R (\$100,000) R

Eliminates funding for the Senior Center Outreach Program, previously allocated to the 17 Area Agencies on Aging to promote the use of services available through senior centers.

148 Reduce Home and Community Care Block Grant

(\$500,000) NR (\$500,000) NR

Reduces Home and Community Care Block Grant funding.

149 Replace Home and Community Care Block Grant Funds

(\$1,384,392) NR

Replace funding for the Home and Community Care Block Grant, which provides funding for in-home and community-based services for seniors. The reduction in State appropriations will be offset by federal recovery funds for senior nutrition services.

150 Project CARE

\$500,000 NR \$500,000 NR

Provides funding for Project C.A.R.E. (Caregiver Alternatives to Running on Empty), a respite care program for caregivers of persons with Alzheimer's and dementia. (S.B.30/H.B. 91, S.B. 190/H.B. 145)

151 Senior Community Service Employment

The Senior Community Service Employment Program (SCSEP) places economically disadvantaged individuals 55 years of age and older with an income at or below 125% of the federal poverty level into part-time community service programs while transitioning clients into unsubsidized employment. Currently, five Area Agencies on Aging provide employment services in 25 counties. \$621,560 in federal recovery funds will be available to support the program. Twenty percent of funds must be spent in the current year. The remaining funds (\$497,248) and the required local match (\$55,250) are budgeted as receipt-supported activities.

(11.0) Division of Medical Assistance**152 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level**

(\$507,391,540) R (\$738,471,757) R

153 Phased-out County Share

\$252,566,010 R \$271,080,911 R

Increases appropriations for Medicaid due to the final phase-out of the county share, effective July 1, 2009. (S.L. 2009-451, Sec. 10.68)

154 Projected Medicaid Growth

\$154,748,266 R \$273,267,994 R

Adjusts continuation budget to allow for caseload growth.

155 End County Participation	(\$4,738,858)	R	(\$4,738,858)	R
Ends county participation in Medicaid, including any cost settlements or adjustments, as of June 1, 2009. (S.L. 2009-451, Sec. 10.68)				
156 Provider Rate Reductions	(\$76,440,896)	R	(\$82,261,586)	R
Reduces Medicaid provider rates. Applies to all public and private providers except for federally qualified health centers, rural health centers, school-based and school-linked health centers, State institutions, hospital outpatient, pharmacy, and the non-inflationary components of the case-mix reimbursement system for skilled nursing facilities. (S.L. 2009-451, Sec. 10.68A(a)(8))				
157 Modify Personal Care Services Benefits	(\$40,000,000)	R	(\$60,000,000)	R
Reduces personal care services benefits to reduce overutilization of services. (S.L. 2009-451, Sec. 10.68A(a)(3))				
158 Reduce Prescription Drug Costs	(\$25,000,000)	R	(\$22,000,000)	R
Reduces prescription drug expenditures by employing the following actions: enhancing utilization management of the Prescription Advantage List (PAL), increasing utilization of generic drugs in place of brand name drugs, and increasing rebate collections on generic drugs. If sufficient savings are not realized by these actions, the department shall implement a preferred drug list for all drug classes in the Medicaid program. Generic drugs and brand name drugs that offer supplemental rebates will be included. (S.L. 2009-451, Sec. 10.66)				
159 Reduce Community Support Services	(\$65,000,000)	R	(\$97,500,000)	R
Reduces appropriation for community support services. (S.L. 2009-451, Sec. 10.68A(a)(5))				
160 Reduce Group Homes	(\$15,860,960)	R	(\$22,554,622)	R
Reduces funding for High Risk Intervention Level III and IV group homes. (S.L. 2009-451, Sec. 10.68A(a)(7))				
161 Reimbursement for Prescription Drugs	(\$10,457,042)	R	(\$13,942,723)	R
Changes reimbursement for prescription drugs from Average Wholesale Price (AWP) - 10% to Wholesale Acquisition Cost (WAC) + 7%.				
162 Dental Policy Adjustments	(\$3,689,583)	R	(\$4,427,500)	R
Reduces appropriations based on dental policy changes on sealants and imaging.				
163 Increase Copays on Services	(\$3,098,256)	R	(\$3,717,908)	R
Increases copays on Medicaid services by \$2.				

164 Reduce HIV Case Management	(\$417,825)	R	(\$527,779)	R
Reduces funds for HIV Case Management services. (S.L. 2009-451, Sec. 10.68A(a)(2))				
165 Consolidate Case Management Services	(\$41,029,684)	R	(\$72,907,230)	R
Reduces appropriations by consolidating case management services throughout the Medicaid program. (S.L. 2009-451, Sec. 10.68A(a)(10))				
166 Increase CCNC Savings	(\$69,894,403)	R	(\$78,397,889)	R
Reduces appropriations through greater care management by Community Care of North Carolina (CCNC).				
167 Imaging Contract	(\$8,111,250)	R	(\$8,237,322)	R
Reduces appropriations for imaging through a contract to contain costs. (S.L. 2009-575 amends S.L. 2009-451, Sec. 10.68B)				
168 Reduce Nursing Home Cost Ceiling	(\$2,298,778)	R	(\$2,444,230)	R
Reduces the reimbursement cost ceiling for nursing facilities from 103.5% of State median cost to 102.6% of the State median cost.				
169 Reduce Durable Medical Equipment	(\$3,509,312)	R	(\$4,211,174)	R
Reduces the appropriation for Durable Medical Equipment.				
170 Freeze CAP Slots	(\$6,646,956)	R	(\$7,274,842)	R
Freezes Community Alternative Programs slots for disabled adults and people with mental retardation and developmental disabilities. (S.L. 2009-451, Sec. 10.65A(c)), (S.B. 8)				
171 Eliminate MH Residential Services - Therapeutic Camps	(\$1,573,100)	R	(\$2,236,981)	R
Eliminates funding for therapeutic camps for teens with behavioral and substance abuse problems, an optional Medicaid service.				
172 Mandate Use of Web-based PASARR	(\$350,000)	R	(\$350,000)	R
Mandates the use of the web-based Pre-Admission Screening Annual Resident Review (PASARR) for mental health issues for nursing facilities and adult care homes. (S.L. 2009-451, Sec. 10.68A(1))				
173 Establishes Provider Enrollment Fee	(\$1,500,000)	R	(\$1,500,000)	R
Establishes a \$100 enrollment fee for Medicaid providers, payable upon initial enrollment and every three years thereafter. (S.L. 2009-451, Sec. 10.58A)				

174 Contract Adjustments	(\$1,594,749)	R	(\$1,594,749)	R
Reduces various administrative contracts.				
175 Annual Printing of Medicaid ID cards	(\$1,750,000)	R	(\$1,750,000)	R
Reduces appropriations by printing Medicaid identification cards annually instead of monthly. Changes and updates will be mailed on a quarterly basis. (S.L. 2009-451, Sec. 10.68A(a)(9))				
176 Mandate EFT Payments	(\$472,500)	R	(\$472,500)	R
Reduces appropriations by mandating payment of claims by electronic fund transfers (EFT). (S.L. 2009-451, Sec. 10.68A(a)(1))				
177 Mandate Electronic Claims Filing	(\$1,200,000)	R	(\$1,200,000)	R
Reduces appropriations by mandating that providers billing Medicaid file claims electronically. (S.L. 2009-451, Sec. 10.68A(a)(1))				
178 Eliminate Positions	(\$559,031)	R	(\$559,031)	R
Eliminates positions within the Division of Medical Assistance.				
	-11.00		-11.00	
179 Enhance Third Party Liability Recoveries and Cost Avoidance	(\$20,000,000)	R	(\$20,000,000)	R
Reduces medical assistance payments by increasing payment by third parties and increasing cost avoidance through better utilization of technology and other Medicaid cost-containment activities.				
180 Implement False Claims Act			(\$2,229,757)	R
Increases the amount North Carolina can retain from fraud and abuse recoveries by implementing provisions that meet federal False Claims Act standards. The 10% bonus is expected to generate about \$2.4 million annually. Of the amount collected, \$176,068 will be used to support 5 positions at the Attorney General's Office to implement the act. Net collections will be offset by a reduction to State appropriations. (S.L. 2009-554)				
181 Reduction in Medical Assistance Payments	(\$857,352,497)	NR	(\$502,565,621)	NR
Reduces Medical Assistance payments to be offset by federal recovery funds.				
(12.0) Division of Health Service Regulation				
182 Adjust Continuation Budget to FY 2008-09 Authorized Budget Level	(\$190,134)	R	(\$208,088)	R

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	FY 09-10		FY 10-11	
183 Eliminate Positions	(\$444,518)	R	(\$444,518)	R
Eliminates positions within the Division of Health Service Regulation.	-5.00		-5.00	
184 Operating Freeze	(\$466,688)	R	(\$466,688)	R
Continues freeze on operating expenses from the FY 2008-09 budget (Other Operating - 2xxx-5xxx, Fund 1311 Rent/Lease-Bldg/Office).				
185 Increase Fees for License Renewals				
Increases licensing fees to health care facilities regulated by the division and reduces State appropriation in a similar amount. The cost of administering the licensure program is shared with facilities. (S.L. 2009-451, Sec. 10.76)				
186 Hospice Facilities Annual Fee	(\$79,200)	R	(\$79,200)	R
Establishes an annual fee for hospice facilities. (S.L. 2009-451, Sec. 10.76(h))				
187 Eliminate Two Vacant Positions in Medical Facilities Construction	(\$164,640)	R	(\$164,640)	R
Eliminates two vacant positions in the Medical Facilities Construction Section, which review construction plans, make on-site inspections, and provide consultation to ensure compliance with federal and State standards. The reduction will reduce the number of section staff to 63 FTEs.	-2.00		-2.00	
188 Charge Fee for Initial Facility License				
Reduces State appropriations by amount generated by initial facility license fees for new facilities. Fees would apply to adult care homes, hospitals, home care, nursing homes, and mental health facilities. (S.L. 2009-451, Sec. 10.77)				
<hr/> Total Legislative Changes	(\$695,516,536)	R	(\$926,004,081)	R
	(\$937,478,798)	NR	(\$559,528,022)	NR
Total Position Changes	-506.00		-506.00	
Revised Budget	\$3,903,349,605		\$4,321,028,842	

Special Provisions

2009 Session: SB 202

Department: Health and Human Services

Section: 10.1

Title: **Child Care Subsidy Rates**

Summary: Sets the maximum gross family income for child care subsidy eligibility at 75 percent of the State median income. Requires families to participate in the cost of care by paying 8, 9, or 10 percent of the gross family income based on family size.

Directs the Division of Child Development to calculate a market rate for each rate category in each county. Directs that a statewide rate and regional rates shall also be calculated for each rate category.

Requires that child care services funded through the Work First Block Grant shall comply with all subsidized child care program regulations and procedures. Sets child care subsidy eligibility criteria for legal and illegal noncitizen families in the State.

Section: 10.2

Title: **Child Care Allocation Formula**

Summary: Directs DHHS to allocate child care subsidy funds to counties based on the number of children in each county under age 11 in families with all parents working who earn less than 75 percent of the State median income. Also directs DHHS to allocate up to \$20 million in federal block grant funds and State funds outside of the allocation formula to prevent the termination of child care services for children in the subsidy program.

Section: 10.3

Title: **Child Care Funds Matching Requirement**

Summary: Directs that no matching funds may be required by local governments receiving the initial allocation of child care funds. Reallocated funds that exceed \$25,000, beyond a local purchasing agency's initial allocation, require a 20 percent match.

Section: 10.4

Title: **Facilitate and Expedite Use of Child Care Subsidy Funds**

Summary: Directs the Division of Child Development to adopt temporary policies that facilitate and expedite the prudent expenditure of child care subsidy funds.

Section: 10.5

Title: **Child Care Revolving Loan**

Summary: Allows DHHS to fund a Child Care Revolving Loan program.

Section: 10.7

Title: **Early Childhood Education and Development Initiatives Enhancements**

Summary: Directs the North Carolina Partnership for Children, Inc. (NCPC) to maintain administrative costs at no more than 8 percent of the total statewide allocation to all local partnerships. Requires that all partnerships participate in competitive bidding practices. Maintains the requirement of a 20 percent statewide cash and in-kind match.

Prohibits NCPC from providing grants for capital expenditures and advertising and promotional activities for FY 2009-10 and FY 2010-11. Requires the NCPC to spend at least \$52 million for the TANF maintenance of effort requirement and the Child Care Development Fund Block Grant match requirement on child care subsidies.

Requires DHHS to determine the level of funds needed to be expended to draw down all federal recovery funds. Directs the local partnerships to spend at least the level determined by DHHS.

Section: 10.7A

Title: **Task Force on the Consolidation of Early Childhood Education and Care**

Summary: Establishes the Joint Legislative Task Force on the Consolidation of Early Childhood Education and Care. Directs DHHS and Department of Public Instruction to work with the Task Force to develop a consolidation plan. Requires the Task Force to report its findings and recommendations by March 15, 2010. Directs the development of legislation and a budget proposal by May 30, 2010 to present to the General Assembly during the 2010 Session to implement the plan. Upon approval by the General Assembly, sets the implementation date of July 1, 2010.

Section: 10.10

Title: **Administrative Allowance for County Departments of Social Services**

Summary: Directs the Division of Child Development to increase the allowance that county departments of social services may use for administrative costs from 4 percent to 5 percent of the county's total child care subsidies funds. The increase is effective for FY 2009-10.

Section: 10.11

Title: **Increase Child Care Licensing Fees for Child Care Facilities**

Summary: Amends G.S. 110-90(1a) to increase licensing fees for child care facilities as follows:

- Facility capacity of 12 or fewer children: Fee increases from \$35 to \$52;
- Facility capacity of 13-50 children: Fee increases from \$125 to \$187;
- Facility capacity of 51-100 children: Fee increases from \$250 to \$375; and
- Facility capacity of 101 or more children: Fee increases from \$400 to \$600.

Section: 10.12

Title: **Mental Health Changes**

Summary: Directs the disbursements of Local Management Entities' (LMEs) system funds to mitigate cash flow issues. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMHDDSAS) may reallocate state service funds based on mid-year expenditures of LMEs to maximize the amount of funds spent for services.

Requires the Division of Mental Health Developmental Disabilities and Substance Abuse Services to spend \$20,121,644 annually to contract for private hospital in-patient psychiatric beds.

Requires the Division to distribute \$5,700,000 to LMEs to support 30 mobile crisis teams.

Directs the Division to continue implementing the Supports Intensity Scale (SIS) if the pilot has demonstrated effectiveness. The Department shall report on the progress by May 1, 2010. (S.B. 408/H.B. 457)

Section: 10.12A

Title: **MH/DD/SAS Healthcare Information System Project**

Summary: Allows DHHS to use funds appropriated to develop and implement a health care information system for institutions operated by DMHDDSAS.

Section: 10.13

Title: **Reenact 2007 Special Provision on Collaboration on School-based Child and Family Team Initiative**

Summary: Reenacts S.L. 2007-323, Section 10.9 that requires DHHS to support the School-based Child and Family Team Initiative that involves local school personnel, local Departments of Social Services, Local Management Entities, and other entities as needed to meet needs of students.

Section: 10.15

Title: **LME Funds for Substance Abuse Services**

Summary: Allows Local Management Entities to use some of their funding to support substance abuse prevention and education activities. Continues direction for the Treatment Accountability for Safer Communities (TASC) program. The Department shall allocate up to \$300,000 to continue the TASC activities.

Allows an LME to hire a single service provider to provide services for all non-Medicaid-eligible drug treatment court participants.

Section: 10.16

Title: **Total Quality Management**

Summary: Requires the Secretary of DHHS to implement total quality management techniques to improve the quality of care and services within all state facilities managed within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

Section: 10.18

Title: **IOM Studies**

Summary: Directs DHHS to allocate funds in accordance with the special provision found within the block grant section (10.78 (ff), that specifies the requirements that the University of North Carolina's Institute of Medicine shall conduct certain studies during the fiscal year.

Section: 10.18B

Title: **DHHS Data Collection Review and Streamlining**

Summary: Directs the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to review all data collection instruments used by the Division and local management entities and streamline the amount of paperwork involved with patient data reporting by physicians and providers.

Section: 10.19A

Title: **LME Allocation and Fund Balance Reductions**

Summary: Directs DMHDDSAS to reduce allocations to LMEs as necessary to achieve budget savings, considering LMEs' unrestricted fund balance and LMEs' ability to supplement funding of services in making reduction decisions.

Requires the Division to develop and implement a format for use by LMEs to account for LME's fund balance, including source of fund balance, for each fiscal year.

Requires the Department to report on these activities by May 1, 2010.

(S.L. 2009-575, Sec. 10 amends S.L. 2009-451, Sec. 19A to provide greater flexibility to DHHS on allocating the reductions among LMEs)

Section: 10.20

Title: **Transition of Utilization Management of Community-Based Services to Local Management Entities**

Summary: Directs the Department to collaborate with LMEs to enhance their administrative capabilities to assume utilization management responsibilities of community based services.

Section: 10.21

Title: **Mental Health Trust Fund Allocations**

Summary: Directs the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to continue to fund projects that had received approval for funding in FY 2007-09 and prohibits the reversion or withholding of funds. The funds would not revert or be withheld from an LME for an approved project.

Section: 10.21A

Title: **Western Regional Maintenance Operations**

Summary: Directs the Department to decentralize the Western Regional Maintenance (WRM) Operations. Facilities once served by WRM will maintain their own facilities with staff reporting directly to each facility. Additionally, the maintenance activities at Bunter will become decentralized. The Department is required to report on these activities by October 1, 2009.

Section: 10.21B

Title: **CAP-MR/DD State Fund Service Eligibility**

Summary: Limits the use of State funds for services provided to CAP-MR/DD recipients to guardianship, room and board, and time-limited supplemental staffing to stabilize residential placements. Former Thomas S. recipients currently living in community placements may continue to receive State-funded services.

Section: 10.21C

Title: **Cost-sharing For Services In Early Childhood Intervention Programs**

Summary: Directs DHHS to bill third-party payers for services provided by First Family Infant and Preschool Program (FIPP). Requires the Department to pursue all cost-sharing methods for this program, including a sliding fee scale. Any receipts shall be used to offset State general funds.

Section: 10.21D

Title: **Autism Spectrum Disorder and Public Safety Study**

Summary: Establishes the legislative Joint Study Committee on Autism Spectrum Disorder and Public Safety Committee to study ways to increase the availability of appropriate autism-specific education and training to public safety personnel, first responder units, judges, district attorneys, magistrates, and related organizations. An interim report on the study results is due by May 1, 2010 and a final report by December 31, 2010, after which the Committee will terminate.

Section: 10.21E

Title: **Transfer of Central Regional Hospital Patients from Raleigh Campus to Butner Campus**

Summary: Directs the Department to transfer patients from the Raleigh Campus (Dorothea Dix Campus) to the Butner Campus of Central Regional Hospital in a safe and timely manner as soon as the temporary restraining order is lifted that resulted from Disability Rights North Carolina, et. Al. v. North Carolina Department of Health and Human Services (Wake County No. 08 CVS 16725).

Allows the Department to continue to operate the Psychiatric Residential Treatment Facility for Children, minimum security forensic and research units, and the Wake-Dix Overflow Unit on a temporary basis.

Section: 10.21F

Title: **CASTLE Services Third-Party Billing**

Summary: Requires the UNC Center for Acquisition for Spoken languages through Listening Enrichment (CASTLE) to begin billing third-party payers for services. Requires the program to report on amount and source of receipts by December 1, 2009.

Section: 10.22

Title: **Vital Records Fees**

Summary: Increases the fee for the first copy of a vital record to \$24 and sets the fee for an additional copy at \$15. Increases the fee for expedited searches of vital records by out-of-state requestors to \$20, while keeping expedited in-state requests at \$15.

Section: 10.23

Title: **Changes to Community-Focused Eliminating Health Disparities Initiative**

Summary: Directs the Department of Health and Human Services to report on the use of the funds appropriated for the Community-Focused Eliminating Health Disparities Initiative, as before. However, expands the DHHS report to include: "How the activities implemented by the programs or local health departments fulfilled the goal of reducing health disparities among minority populations.

Section: 10.24

Title: **Funds for School Nurses**

Summary: Directs the Department of Health and Human Services to use the \$1 million appropriated in SFY 2009-10 and SFY 2010-11 to hire 20 additional school health nurses. The distribution of the additional nurses shall be according to the criteria established in S.L 2005-276 (SB 622). (S.B. 240/H.B. 774)

Section: 10.25

Title: **AIDS Drug Assistance Program**

Summary: Directs the Department of Health and Human Services (DHHS) to work with the Department of Correction (DOC), so as to use DOC's purchase of AIDS pharmaceuticals in a manner that allows DHHS to draw down additional federal Ryan White funds.

Section: 10.26

Title: **Public Health Improvement Plan**

Summary: Directs the Department of Health and Human Services (DHHS) to develop a five-year Public Health Improvement Plan by March 31, 2010. In developing the plan, DHHS is to adopt a list of core public health services and activities and establish performance measures for each of these services and activities. The activities in the plan are to focus on geographic and racial health disparities within North Carolina. From the Division's current budget line items, the task force is to develop a single flexible spending formula.. The amount of funds in the flexible spending formula shall be distributed to counties as follows: 1) each county will receive a base amount, and 2) the balance is to be distributed to counties on the basis of a formula that takes into account population, per capita income, percent of minority population, and various health care indices. The Public Health Improvement Plan is to be implemented July 1, 2010.

Section: 10.26A

Title: **Replacement of Receipts for Child Development Service Agencies**

Summary: Requires receipts earned by the Child Development Service Agencies to be budgeted on a recurring basis to replace reductions in State appropriations.

Section: 10.27

Title: **Health Information Technology**

Summary: Directs the Department of Health and Human Services (DHHS) to coordinate health information technology (HIT) policies and programs within the State. In doing so, DHHS' goal is to ensure the coordination of all public and private HIT efforts being undertaken with funds from the American Recovery and Reinvestment Act of 2009. Beginning October 1, 2009, and every quarter thereafter, DHHS is to report on the current status of federal and state HIT efforts.

Section: 10.28

Title: **Hospital-Acquired Infections**

Summary: Directs the Department of Health and Human Services to apply for funds through the American Recovery and Reinvestment Act of 2009 to implement a mandatory statewide hospital-acquired infections surveillance and reporting system.
(S.B. 330/H.B.296)

Section: 10.29

Title: **Men's Health**

Summary: Directs the Division of Public Health to delegate to the Chronic Disease Prevention and Control Office the responsibility for ensuring attention to prevention of disease and promotion of health for men, during their entire lifespan.
(S.B.228/H.B.259)

Section: 10.29A

Title: **Immunization Changes**

Summary: Amends G.S. 130A-103(a) to require local health departments to administer State-supplied vaccinations at no cost to patients who are uninsured or underinsured and have family incomes below 200% of the federal poverty level. Amends G.S. 130A-103(b) to allow health care providers who receive vaccines from the State to charge a reasonable fee for vaccination.

Section: 10.30

Title: **Facilitation of Enrollment and Reenrollment of Eligible Children in Medicaid and NC Health Choice**

Summary: Directs the Department of Health and Human Services (DHHS) to take advantage of the opportunities in various provisions of the Children's Health Insurance Program Reauthorization Act to enroll additional eligible children in the Medicaid and Health Choice Programs. In addition, it directs DHHS to apply for a Medicaid State Plan Amendment so that pregnant women and children who are legal immigrants can apply for Medicaid enrollment.

Section: 10.31

Title: **NC Health Choice Transition**

Summary: Directs the Department of Health and Human Services (DHHS) to develop and implement a plan for assuming responsibility for and administering the NC Health Choice Program on July 1, 2010. To aid in the development of this plan, the Office of State Budget and Management is to conduct an analysis of the cost and appropriate staffing levels for DHHS to administer NC Health Choice.

(S.L. 2009-575, Sec. 8 amends Sec. 10.31 to clarify that the analysis to be conducted, is not on the cost of performing the analysis, but on the costs and appropriate staffing levels to manage and implement the transition of NC Health Choice.)

Section: 10.32

Title: **NC Health Choice/Procedures for Changing Medical Policy**

Summary: Amends Chapter 108A of the General Statutes by adding a new section, G.S. 108A-54.3 Procedures for Changing Medical Policy, authorizing the Department of Health and Human Services to change medical policy for NC Health Choice, once the program transitions from Blue Cross/Blue Shield of North Carolina to DHHS.

Section: 10.33

Title: **NC Health Choice Medical Policy**

Summary: Prohibits the Department of Health and Human Services from changing medical policy affecting the NC Health Choice program until a five year fiscal analysis of the change has been prepared. If the cost of the change in medical policy exceeds \$1 million, then the proposed change must be submitted to the Office of State Budget and Management and the Fiscal Research Division, North Carolina General Assembly. In addition, if the cost of the proposed change exceeds \$1 million, DHHS may not implement the change until it has identified the resources to fund the medical policy.

Section: 10.34

Title: **NC Health Choice Enrollment**

Summary: Directs the Department of Health and Human Services to enroll up to 9,098 additional children in the NC Health Choice program.

Section: 10.35

Title: **NCHC Funds Reduction/CCNC**

Summary: Directs the Department of Health and Human Services to only pay the per member per month (PM/PM) fee to the 14 Community Care of North Carolina networks if sufficient utilization management data is available for the Networks to manage the utilization of medical care by NC Health Choice enrollees.

Section: 10.35A

Title: **Report on DHHS Position Eliminations**

Summary: Allows the Secretary, Department of Health and Human Services (DHHS), to achieve funding reductions in the SFY 2009-10 budget from position eliminations by reducing a lesser number of positions. Directs the Secretary to submit a report on March 1, 2010 of the total number of positions eliminated (filled and vacant), the savings generated, and any severance pay out.

Section: 10.35B

Title: **Rural Health Loan Repayments**

Summary: Directs the Department of Health and Human Services to consolidate the funds appropriated for loan repayments to medical, dental, and psychiatric providers in communities and State psychiatric hospitals into a single health care provider loan repayment program.

Section: 10.36

Title: **Community Care of North Carolina**

Summary: Directs the Department of Health and Human Services (DHHS) to contract with Community Care of North Carolina (CCNC) participating physicians and CCNC Networks to manage the utilization of medical care by Medicaid recipients through a per member per month reimbursement. DHHS is to ensure that participating CCNC physicians and Networks are striving to follow the tenets for patient-centered Medical Home Models established by the National Committee on Quality Assurance.

DHHS is to achieve all of the following:

1. Identify priority diseases, conditions, and patients for care management;
2. Develop and implement evidence-based treatment protocols for effective care and treatment of the diseases, conditions, and patients identified for care management;
3. Identify data elements necessary for effective delivery and management of medical care; and
4. Develop and implement a system to measure, analyze, and report clinical and service performance by CCNC physicians and Networks.

Requires DHHS to report by December 31, 2009 on the performance measures adopted, and on July 1, 2010 and every 6 months thereafter submit a report evaluating the performance of each of the 14 CCNC Networks.

Requires DHHS to issue a Request for Proposals to identify an entity with proven experience in conducting actuarial and health care studies and evaluations to report annually on the Medicaid cost savings achieved by CCNC physicians and Networks.

Section: 10.37

Title: **Community Health Center Changes**

Summary: Directs the Department of Health and Human Services to award \$6,860,00 on a competitive basis to rural health centers, free clinics, public health departments, school-based health centers, qualified health centers, and other non-profit organizations that provide primary and preventive health services to uninsured and low-income persons.
(S.B. 282/H.B.481)

Section: 10.38

Title: **Liability Insurance**

Summary: Authorizes the Department of Health and Human Services (DHHS), Department of Environment and Natural Resources, and Department of Correction to provide medical liability coverage, up to \$1,000,000 per incident, on behalf of:

- Licensed staff of the respective departments;
- Licensed physicians and faculty members of the University of North Carolina (UNC) working under contract with MH/DD/SA; and,
- Physicians in UNC residency training programs working at DHHS institutions.

Section: 10.39

Title: **DHHS Special Appropriations**

Summary: Directs DHHS to allocate \$100,000 to Special Olympics and \$300,000 to the Jim 'Catfish' Hunter Chapter of the ALS Association for FY 2009-10 from recurring funds for non-profit grants-in-aid.
(S.B.280/H.B.940)

Section: 10.40

Title: **DHHS Payroll Deduction for Child Care Services**

Summary: Allows the State Controller, upon the request of the DHHS employee, to deduct from an employee's salary or wages amounts sufficient to cover the cost of child care services provided by DHHS.

Section: 10.41

Title: **Medicaid Management Information System (MMIS) Funds/Implementation of MMIS**

Summary: Authorizes DHHS to utilize, from available funds, \$10,765,153 in FY 2009-10 and \$8,064,128 in FY 2010-11 to match federal funding for the procurement, design, development, implementation, and central management of the MMIS project. Enumerates requisite system capabilities and requires DHHS to periodically report to the General Assembly on the development and implementation of the MMIS.

(Note: S.L. 2009-575, Sec. 10A amends S.L. 2009-451, Sec. 10.41.(a) to remove the requirement that DHHS utilize all prior year earned revenues received for the MMIS.)

Section: 10.42

Title: **North Carolina Families Accessing Services Through Technology (NC FAST) Funds**

Summary: Appropriates \$18.3M from Budget Code 24441, Fund Code 2006, for the development and implementation of North Carolina Families Accessing Services Through Technology (NC FAST) to match federal funds for project implementation.

Section: 10.43

Title: **Program on Prevention of Abuse and Neglect**

Summary: Amend G.S. 143A-6 to allow for the transfer of the Children's Trust Fund (via type-I transfer) from the Department of Public Instruction (DPI) to the Division of Social Services (DSS) within DHHS; and, vests DHHS with contracting and administrative authorities for the program.

Section: 10.44

Title: **Intensive Family Preservation Services Funding and Performance Enhancements**

Summary: Establishes the intent and scope of the Intensive Family Preservation Services (IFPS) program:
-- Designates data collection requirements for entities receiving State, federal, or other funding for IFPS; and,
-- Requires performance-based funding of IFPS programs.

Section: 10.45

Title: **Foster Care and Adoption Assistance Payments**

Summary: Maintains maximum rates for the FY 2009-11 biennium for foster care, adoption, and HIV foster care and adoption assistance payments to FY 2008-09 levels. Holds counties harmless from contributing half of the non-federal share of foster care assistance for children placed in foster care, per provider agreement, on or before October 31, 2008.

Section: 10.46

Title: **Child Support Program/Enhanced Standards**

Summary: Amends G.S. 110-129.1(a) to codify data collection, performance monitoring, and reporting requirements for the Child Support Enforcement Program.

Section: 10.46A

Title: **Eliminate State Funding for Child Support Offices**

Summary: Amends G.S. 110-141 to require remaining counties served by state-operated child support enforcement offices to assume administrative and financial responsibility for operation of local child support enforcement (CSE) offices, effective July 1, 2010. Directs affected counties to submit plans outlining proposed CSE operations, in accordance with criteria set by the Division of Social Services (DSS). DSS shall ensure the appropriate transitioning of programmatic responsibility to counties.

Section: 10.47

Title: **Child Caring Institutions**

Summary: Authorizes DHHS to set maximum reimbursement rates for child caring institutions until the Social Services Commission adopts rules setting standardized rates.

Section: 10.48

Title: **Special Children Adoption Fund**

Summary: Amends Part 4 of Article 2, Chapter 108A to add a new section that:
-- Requires that funds awarded to participating adoption agencies be used exclusively to enhance adoption services;
-- Authorizes use of funds for post-adoption services for families whose income exceeds 200% of the federal poverty level;
-- And, requires that DHHS reserve 20% of funds available for payment to private adoption agencies.

Section: 10.49

Title: **Limitation on State Abortion Fund**

Summary: Renews limitations on funding for the performance of abortions established in Section 23.27 of Chapter 324 of the 1995 Session Laws.

Section: 10.50

Title: **Child Welfare Postsecondary Support Program/Use of Escheat Fund**

Summary: Appropriates \$3,168,250 from the Escheat Fund in FY 2009-10 and authorizes use of \$3,168,250 of General Fund appropriations in FY 2010-11 for NC Reach foster care scholarships, respectively.

Also, authorizes use of \$550,000 of General Fund appropriations to DHHS in each year for contractual program administration and case management services.

Section: 10.51

Title: **TANF Benefit Implementation**

Summary: Approves the "Temporary Assistance for Needy Families State Plan FY 2009-11", and designates the Electing Counties for FY 2009-11.

Directs DHHS to allocate funds to Electing Counties for Work First Family and Diversion Assistance in FY 2009-10 equal to the amounts allocated for those purposes in FY 2008-09. And, authorizes DHHS to retract amounts allocated to Electing Counties in excess of formulaic allocations to cover assistance payments made on behalf of Standard Counties.
(H.B. 503)

Section: 10.51A

Title: **Office of Education Services/Funds Transfer**

Summary: Transfers \$175,321 from the Office of Education Services Trust Fund (Budget Code 66424) to the General Fund to support operations of the North Carolina School for the Deaf, Eastern North Carolina School for the Deaf, and Governor Morehead School for the Blind.

Requires DHHS, in consultation with the State Board of Education and Department of Public Instruction, to develop and report plans to achieve efficiencies of scale among the three residential schools by May 1, 2010.

Section: 10.52

Title: **Evaluation of Consolidation of Administrative Functions of County Departments of Social Services**

Summary: Directs the Program Evaluation Division of the General Assembly to examine the consolidation of administrative functions among county departments of social services, and report its findings by December 1, 2010.

(Note: S.L. 2009-575, Sec. 9 amends S.L. 2009-451, Sec. 10.52.(a) to clarify that DHHS shall not consolidate the administrative functions of county departments of social services, unless so directed by the General Assembly.)

Section: 10.53

Title: **Enhance Marketing of Public Assistance Availability**

Summary: Directs DHHS and county departments of social services to enhance efforts to notify prospective recipients of eligibility for Food and Nutrition and Medical Assistance services.
(S.B. 964/H.B. 1126)

Section: 10.55

Title: **Non-Medicaid Reimbursement Changes**

Summary: Sets annual family income eligibility standards for medical services provided under programs administered by the Division of Services for the Blind and Division of Vocational Rehabilitation Services.

Directs that provider reimbursement rates shall not exceed rates under the North Carolina Medical Assistance Program, and requires DHHS to achieve the enacted reductions for provider reimbursements.

Section: 10.56

Title: **Division of Services for the Deaf and the Hard of Hearing/Funds Transfer and Appropriation**

Summary: Transfers \$4.5 million of available cash balance from the Telecommunications Relay Service (TRS) Trust Fund (Budget Code 67425) to Nontax revenue to support General Fund appropriations.

Authorizes DHHS to utilize up to \$1.5 million of available TRS Trust Fund balance for the replacement Data Collection and Case Management Systems initiative.

Amends G.S. 62-157 to authorize DHHS to utilize revenues derived from wireless surcharge receipts remitted to the TRS Trust Fund to support the Regional Resource Centers operated by the Division of Services for the Deaf and Hard of Hearing.

Directs DHHS to petition the North Carolina Utilities Commission to reset surcharge rates if available funds are insufficient to maintain a reasonable reserve for operation of the statewide telecommunications relay service.

Section: 10.57

Title: **State-County Special Assistance**

Summary: Effective October 1, 2009, reduces the maximum monthly rate for State-County special assistance recipients in adult care home facilities from \$1,207 to \$1,182 per resident, and protects current recipients from becoming ineligible due to the rate change.

Section: 10.58

Title: **Medicaid**

Summary: Establishes eligibility requirements for Medicaid, establishes the services provided to recipients and the allowable payment levels for providers under the Medicaid program. The following changes were made to the Medicaid provision:

- Clarifies that physical therapy, occupational therapy, and speech therapy are allowable services for adults;
- Continues exemption from prior authorization for mental health drugs, but allows DHHS to develop guidelines and measures to ensure appropriate usage, and may require retrospective clinical justification for the use of multiple psychotropic drugs; and
- Requires DHHS to inform the Fiscal Research Division of all Medicaid waiver applications at the time the applications are being considered or developed and submit waiver applications to Fiscal Research prior to final submission to the Centers for Medicare and Medicaid Services (CMS).

Section: 10.58A

Title: **Medicaid Provider Fee**

Summary: Establishes a \$100 fee for providers enrolling in Medicaid, to be charged at initial enrollment and at re-credentialing every three years thereafter.
(S.L. 2009-451, Sec. 10.58A)

Section: 10.58B

Title: **Accelerated DHHS Procurement Process to Achieve Budget Reductions**

Summary: Allows the Department to modify or extend existing contracts, or to enter into sole source contracts to achieve budget reductions. Requires affected contracts to be approved by the Secretary of the Department of Administration and reported to the Joint Health and Human Services Appropriations Subcommittee, Fiscal Research Division, and the Office of State Budget and Management. Expires in six months from the date of enactment. Requires a progress report to the Joint Health and Human Services Appropriations Subcommittee and the Fiscal Research Division on budget reductions and methods used to achieve them by April 1, 2010.

Section: 10.59

Title: **DMA Contract Shortfall**

Summary: Requires DHHS to obtain approval from OSBM before entering into new contracts or increasing the cost of current contracts. Directs the Division to save money when possible and allows the Division to use any funds appropriated to it to fund a budget shortfall.

Section: 10.60

Title: **Medicaid Cost Containment Activities**

Summary: Authorizes DHHS to use up to \$5 million in Medicaid funds budgeted for program services to support administrative activities to help contain the cost of Medicaid.

Section: 10.61

Title: **Medicaid Special Fund Transfer**

Summary: Appropriates \$43 million in FY 2009-10 and FY 2010-11 pursuant to G.S. 143C-9-1, clarifying that these funds shall not be used to reduce the General Fund revenue to the Medicaid program.

Allows DHHS to use Medicaid Special Funds to settle issues between DHHS and the federal government related to Disproportionate Share Hospital payments in fiscal years 1997-2002.

Section: 10.62

Title: **Extend Implementation of Community Alternatives Programs Reimbursement System**

Summary: Extends implementation of the Community Alternatives Programs reimbursement system to not later than 12 months after the MMIS system is operational and stabilized.

Section: 10.64

Title: **Accounting for Medicaid Receivables as Nontax Revenue**

Summary: Directs DHHS to deposit Disproportionate Share receipts with the State Treasurer as nontax revenue.

Section: 10.65

Title: **Families Pay Part of the Cost of Services Under the CAP-MR/DD Program and the CAP-Children's Program Based on Family Income**

Summary: Directs DHHS, subject to approval by CMS, to develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD and CAP-C programs. Requires that the cost-sharing requirement be included in the new MMIS system.

Directs DHHS to report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the Joint Health and Human Services Appropriations Subcommittee, and the Fiscal Research Division by October 1, 2009.

Section: 10.65A

Title: **Implementation Plan for Four Tiers of CAP-MR/DD Program**

Summary: Directs DHHS to submit an implementation plan for Tiers 1 through 4 of the CAP-MR/DD Program by April 1, 2010. The plan shall describe the implementation of Tiers 1 and 4 and the proposed implementation of Tiers 2 and 3, including the array and intensity level of services, the range of costs for each tier, and how the need for each level will be determined and assigned.

Directs DHHS to review services provided by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to people with developmental disabilities to determine whether those individuals would be better served through the CAP-MR/DD waiver. Directs DHHS to report its findings to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the Joint Health and Human Services Appropriations Subcommittee, and the Fiscal Research Division by March 1, 2010.

Directs the Division of Medical Assistance to use \$4 million of funds appropriated for additional Tier 1 CAP-MR/DD slots, and directs DHHS to review the number and geographic distribution of slots by LME by October 1, 2009. DHHS shall also implement a plan to equitably distribute slots among LME's.

Clarifies that Piedmont Behavioral Health (PBH) LME is a demonstration model with 1915(b) and 1915(c) Medicaid waivers and single-stream funding for State services.
(S.B. 8)

Section: 10.66

Title: **Preferred Drug List Program**

Summary: Directs DHHS, in the event that it does not achieve savings of \$25 million by June 1, 2010, to implement a preferred drug list program. Outlines measures DHHS should follow to develop a preferred drug list, and clarifies that it should include all classes of drugs except those to treat HIV. Allows DHHS to enter into a multistate purchasing pool, negotiate with manufacturers or labelers, contract with pharmacy benefit managers, negotiate supplemental rebates, or any combination of measures to achieve savings.

Section: 10.67

Title: **Medicaid Appeals/Funds Do Not Revert**

Summary: Directs the Office of Administrative Hearings (OAH) to enter into a Memorandum of Agreement (MOA) with DHHS for funds transferred from OAH in FY 2008-09 for mediation services for Medicaid applicant and recipient appeals. The MOA will facilitate DHHS' ability to draw down federal Medicaid funds.

Section: 10.68

Title: **Clarifying Changes to State Medicaid Responsibilities**

Summary: Requires the State to assume responsibility for the county share of the nonfederal match for Medicaid services as of June 1, 2009.

Section: 10.68A

Title: **Authorize the Division of Medical Assistance to Take Certain Steps to Effectuate Compliance with Budget Reductions in the Medicaid Program**

Summary: Section (a)(1) outlines the procedures for transitioning Medicaid providers to electronic claims filing and payment and web-based submission of the PASARR.

Section (a)(2) directs the Division of Medicaid Assistance to submit State Plan amendments to CMS to implement the budget reductions included in this act.

Section (a)(3) directs the Division to implement new criteria for Personal Care services, including:

- an independent assessment of need;
- time limits on the duration of service based on physician's orders;
- exclusion of certain tasks from personal care services;
- online physician attestation of medical necessity;
- flexibility to implement other measures to achieve savings; and
- a report on PCS usage in adult care homes by December 1, 2009.

Section (a)(4) clarifies that a denial, reduction, or termination of Medicaid-funded PCS shall result in a similar denial for State-funded PCS.

Section (a)(5) directs DHHS to submit a new service definition for the case management and peer support components of Community Support. It also:

- prohibits new service authorizations for community support group or individuals unless DHHS determines that more appropriate services are unavailable;
- clarifies that no community support services shall be provided with other enhanced services, but that community support case management services may be provided for Level III and IV group home discharge planning;
- extends the current moratorium on community support provider endorsements and eliminates the paraprofessional level of service 60 days from the enactment of this act;
- requires any concurrent request for service be accompanied with a discharge plan for the recipient within 30 days of enactment, and failure to do so will result in denial of payment;
- clarifies that a provider whose endorsement or Medicaid participation has been terminated is not entitled to payment while appeals are pending, but will be paid in full if the final agency decision is in favor of the provider; and
- requires that community support providers who go out of business must: provide 30 days advance written notification to the LME, recipients, and the prior authorization vendor; maintain medical and financial records; and, provides that failure to comply will result in suspension of further payment and denial of enrollment in Medicaid or other State-funded service.

Section (a)(6) limits community support team (CST) services to not more than 18 hours per week, based on medical necessity. Also directs DHHS to do an immediate rate study of CST to bring the average cost of service per recipient in line with Assertive Community Treatment Team (ACTT) services, revise the service definition, and tighten provider qualifications. DHHS shall report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by December 1, 2009.

Section (a)(7) restructures child Medicaid residential group home services and lays out transition plans for recipients into more appropriate care. Specifically, the provision directs DHHS to:

- submit a revised service definition to CMS;
- reexamine entrance and continued stay criteria for all residential services, promoting the least restrictive services in the home prior to residential placement, and requiring community activities and parental or legal guardian participation in treatment;
- require all existing providers or agencies to be nationally accredited within one year, giving preference for accredited providers for new placements, and requiring any newly enrolled providers to be subject to national accreditation standards;
- outlines that before a child is admitted to a Level III or Level IV group home:

1) the placement must be a step down from a higher level placement,
2) multisystemic therapy or intensive in-home therapy has been unsuccessful,
3) all alternatives for placement have been reviewed by the Child and Family team, and
4) a transition or discharge plan is submitted with the initial request;
--limits length of stay to no more than 120 days, with exceptions;
--requires submission of a discharge plan for all recipients;
--requires that group home providers who go out of business must provide 30 days advance written notification to the LME, recipients, and the prior authorization vendor, must maintain medical and financial records, and failure to comply will result in suspension of further payment and denial of enrollment in Medicaid or other State-funded service; and
--report on the plan for transitioning children out of Level II and IV group homes to the LOC by October 1, 2009.

Section (a)(8) gives the Secretary the flexibility to reduce provider rates as needed to achieve the budget reduction, giving consideration to the impact on primary care providers and critical access hospitals. It exempts from rate reductions those providers who are either federally exempt or cost-settled by the State.

Section (a)(9) directs DHHS to issue Medicaid identification cards on an annual basis with quarterly updates.

Section (a)(10) directs DHHS to develop a plan for the consolidation of case management services by December 1, 2009, addressing the time line and process for implementation, the vendors involved, where savings will accrue, and which recipients will be affected.

Section (b) amends G.S. 108A-54.2(1) to clarify that the Physician Advisory Group (PAG) is not part of the NC Medical Society.

Section (c) requires that DHHS publish new or amended medical coverage policies online through the Medicaid Bulletin, notify the PAG via direct mail, update online any changes to policies as a result of public or PAG feedback, and provide written notice about policy changes to recipients at least 30 days prior to the implementation of new or revised policies.

Section (d) clarifies that DHHS shall not take any action that may jeopardize the receipt of ARRA funds appropriated or allocated to DHHS.

(S.L. 2009-575, Sec. 5A amends S.L. 2009-451 Sec. 10.68A(a)(7)I by clarifying that providers who fail to comply with records retention may be subject to sanctions).

Section: 10.69

Title: **Co-Payments for Ticket to Work**

Summary: Amends G.S. 108A-54.1(d) to clarify that individuals who participate in the Ticket to Work program are subject to co-payments as established in Medicaid, not Health Choice.

Section: 10.72A

Title: **Information on Medicaid Waivers**

Summary: Directs DMA, in coordination with DMH/DD/SAS, to report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse and the Joint Health and Human Services Appropriations Subcommittee by March 1, 2010 on the feasibility and efficacy of applying for Medicaid waivers, including the departmental recommendation, for the following:

- a waiver to expand Medicaid coverage for HIV-positive individuals below 200% of poverty;
- a waiver to provide interconceptional coverage to low-income women below 185% of poverty who have given birth high-risks infants;
- a waiver to expand coverage to individuals older than 22 who have suffered a traumatic brain injury; and
- a waiver to prevent Medicaid recipients from losing Medicaid eligibility due to Social Security and Railroad Retirement cost-of-living adjustments and federal poverty level adjustments.
(S.B. 302 - HIV Waiver) (H.B. 737 - Traumatic Brain Injury)
(S.B. 243/H.B. 480 - Interconceptional coverage)

Section: 10.73A

Title: **Medicaid Provider Payment Suspension**

Summary: Allows DHHS to suspend payment to any Medicaid provider against whom DMA has instituted a recoupment action, termination of the NC Medicaid Administrative Participation Agreement, or referral to the Medicaid Fraud Investigations Unit. The payment suspension would only be in the amount under review, and if the final decision is in favor of the provider, the provider will be paid in full.

Section: 10.75

Title: **NC NOVA**

Summary: Allows DHHS to use up to \$88,000 for FY 2009-10 and \$93,700 for FY 2010-11 of funds available, including federal civil monetary receipts when appropriate, for the NC New Organizational Vision Award certification program.

Section: 10.76

Title: **DHSR License Fee Increases**

Summary: Amends G. S. 131D-2(b) to increase fees as follows:

- Adult care homes with > 6 beds: an increase of \$10 for a \$360 facility fee and an increase of \$6.25 for a \$18.75 per bed fee
 - Adult care homes with <= 6 beds: an increase of \$65 for a \$315 facility fee
 - General Acute Hospitals with 1 - 700+ beds: facility fees remain the same, but increases per bed fee by \$5 to \$17.50 per bed
 - Other hospitals: facility fee remains the same, but increases per bed fee by \$5 to \$17.50 per bed
 - Home care: increases facility fee by \$110 to \$510
 - Ambulatory Surgical Centers: increases facility fee by \$150 to \$850 and per bed fee by \$25 to \$75
 - Cardiac Rehab centers: increases facility fee by \$135 to \$385
 - Hospice: institutes facility fee of \$400
 - Nursing homes: decreases facility fee by \$30 to \$420 but increases per bed fee by \$6.25 to \$18.75
 - Non-residential Mental Health Facilities: increases facility fee by \$40 to \$215
 - Change of ownership (CHOW) fee: increase of \$70 to \$320
 - MH facilities < 6 beds (excluding ICF-MRs): increases facility fee by \$55 to \$305
 - MH facilities < 6 beds (ICF-MRs only): increases facility fee by \$195 to \$845
 - MH facilities > 7 beds (excluding ICF-MRs): increases facility fee by \$125 to \$475 and per bed fee by \$6.25 to \$18.75
 - MH facilities > 7 beds (ICF-MRs only): increases facility fee by \$150 to \$800 and per bed fee by \$6.25 to \$18.75
- (See also Annotated Conference Committee Report, Items 185 and 186.)

Section: 10.77

Title: **DHSR Initial Licensure Fees New Facilities**

Summary: Establishes fees for new facilities as follows:

- Adult care homes with > 6 beds: \$400 initial license fee and \$19 per bed fee
 - Adult care homes with <= 6 beds: \$350 initial license fee
 - General Acute Hospitals with
 - 1-49 beds: \$550 initial license fee and \$19 per bed fee
 - 50-99 beds: \$750 initial license fee and \$19 per bed fee
 - 100-199 beds: \$950 initial license fee and \$19 per bed fee
 - 200-399 beds: \$1150 initial license fee and \$19 per bed fee
 - 400-699 beds: \$1550 initial license fee and \$19 per bed fee
 - 700+ beds: \$1950 initial license fee and \$19 per bed fee
 - Other hospitals: \$1050 initial license fee and \$19 per bed fee
 - Home care: \$560 initial license fee
 - Ambulatory Surgical Centers: \$900 initial license fee and \$85 per bed fee
 - Abortion Clinics: \$750 initial license fee
 - Cardiac Rehab centers: \$425 initial license fee
 - Nursing homes: \$470 initial license fee and \$19 per bed fee
 - Non-residential Mental Health Facilities: \$265 initial license fee
 - MH facilities < 6 beds (excluding ICF-MRs): \$350 initial license fee
 - MH facilities < 6 beds (ICF-MRs only): \$900 initial license fee
 - MH facilities > 7 beds (excluding ICF-MRs): \$525 initial license fee and \$19 per bed fee
 - MH facilities > 7 beds (ICF-MRs only): \$850 initial license fee and \$19 per bed fee
- (See also Annotated Conference Committee Report, Item 188.)

Section: 10.78

Title: **DHHS Block Grants**

Summary: Subsection 10.78.(a) appropriates \$979,062,185 of federal block grant receipts, including \$93,786,258 from one-time American Recovery and Reinvestment Act (ARRA) funding.

Subsections 10.78.(b) through 10.78.(e) establish submission and reporting requirements for DHHS block grant plans and proposed adjustments. Adjustments to the General Assembly's approved block grant allocation plans must be approved by the Office of State Budget and Management and reported to the House of Representatives Appropriations Subcommittee on Health and Human Services, Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

Subsections 10.78.(f) through 10.78.(jj) provide guidance to DHHS regarding use of block grant appropriations, including:

-- Directing DHHS to utilize \$1.6 million of TANF Block Grant funds to continue operational support for the Child Welfare Collaborative educational program.
(S.B. 1084)

-- Discontinuing \$2.6 million of TANF Block Grant funding for the Support Our Students (SOS) program, corresponding with the elimination of State funding for SOS.

-- Directing DHHS to utilize \$1.6 million of TANF Contingency funds for grants to the Boys and Girls Clubs of North Carolina.
(S.B. 242/H.B. 425)

-- Directing DHHS to apply for TANF Emergency Contingency Funds (ARRA), and authorizing use of receipts for implementation of a Conversion Pay for Performance Work First Benefits Program (\$1.96 million) and Work First Family Assistance (supplemental receipts)

-- Exempting Social Services Block Grant (SSBG) funds appropriated for child medical evaluations from the matching provisions contained within 10A NCAC 71R .0201(3); and,

-- Directing the Division of Child Development to adopt temporary rules to relax the restrictions on use of the one-time ARRA child care subsidy funds by broadening eligibility of families.

(Note: S.L. 2009-575, Sec. 7, Sec. 10B, and Sec. 11 amends S.L. 2009-451 to clarify that funds appropriated to the Institute of Medicine from the Substance Abuse Prevention and Treatment Block Grant shall be used for at least two studies, to correct the dollar amount of total listed for Child Care and Development Fund Block Grant ARRA receipts, and to clarify that funding for county demonstration grants applies to continuing projects from the 2006-07 fiscal year.)

Special Provisions

2009 Session: HB 836

Department: Health and Human Services

Section: 5A

Title: **TECHNICAL CHANGE: MH Residential Provider Record Retention Clarification**

Summary: Amends S.L. 2009-451, Sec. 10.68A(a)(7)i to clarify that if a provider, including its officers, directors, agents, managing employees, individuals or entities with an ownership interest fails to comply with the required record retention requirements outlined in the provision may be subject to sanctions, including exclusion from further participation as a Medicaid provider.

Section: 6

Title: **TECHNICAL CHANGE: Medicaid Utilization Management of Outpatient Imaging**

Summary: Amends S.L. 2009-451 to add Section 10.68B that allows DHHS to contract for utilization management of outpatient imaging services, and requires that the vendor who carries out the contract to:

- provide medically appropriate imaging services without imposing unreasonable requirements on patients or providers;
- not limit imaging services to only selected imaging providers;
- provide the capability for electronic submission of authorization requests and appeals;
- provide online availability of the criteria for utilization management decisions;
- be nationally accredited;
- disclose in advance of entering into the contract any relationship with facilities or providers whose services are subject to utilization management; and
- provide orientation, training, and technical assistance regarding the vendor's system and criteria for utilization management.

The contract shall:

- continue to ensure that medically necessary imaging services are provided;
- protect enrollees from potentially harmful exposures to excessive imaging;
- minimize disruption to clinical services; and
- be limited to two years.

DHHS shall consult with medical providers and report to the Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division prior to a new request for proposal or contract extension is granted.

Section: 7

Title: **TECHNICAL CHANGE: Substance Abuse Prevention and Treatment Block Grant**

Summary: Amends S.L. 2009-451, Sec. 10.78 (ff) to clarify that the \$250,000 appropriated from the Substance Abuse Prevention and Treatment Block Grant to Department of Health and Human Services shall be used for the completion of two studies.

Section: 8

Title: **TECHNICAL CHANGE: NC Health Choice Transition**

Summary: Amends S.L. 2009-451, Sec. 10.31 to clarify that the analysis to be conducted, is not on the cost of performing the analysis, but on the costs and appropriate staffing levels to manage and implement the transition of NC Health Choice

Section: 9

Title: **TECHNICAL CHANGE: Evaluation of Consolidation of Administrative Functions of County Departments of Social Services**

Summary: Amends S.L. 2009-451, Sec. 10.52.(a) to clarify that DHHS shall not consolidate the administrative functions of county departments of social services, unless so directed by the General Assembly.

Section: 10

Title: **TECHNICAL CHANGE: LME Allocation and Fund Balance Reductions**

Summary: Amends S.L. 2009-451, Sec. 10.19A.(a) to direct the Department of Health and Human Services to administer the reduction of state service dollars to LMEs in a way that takes into consideration the LMEs' unrestricted fund balances and abilities to supplement funding without impairing financial stability.

Section: 10A

Title: **TECHNICAL CHANGE: Medicaid Management Information System (MMIS) Funds/ Implementation of MMIS**

Summary: Amends S.L. 2009-451, Sec. 10.41.(a) to remove the requirement that DHHS utilize all prior year earned revenues received for the MMIS.

Section: 10B

Title: **TECHNICAL CHANGE: DHHS Block Grants**

Summary: Amends S.L. 2009-451, Sec. 10.78.(a) to correct the total amount of ARRA funding for the Child Care and Development Fund Block Grant from \$67,543,143 to \$67,543,134.

Section: 11

Title: **TECHNICAL CHANGE: Temporary Assistance for Needy Families (TANF) Block Grant and TANF Contingency Funds**

Summary: Amends S.L. 2009-451, Sec. 10.78.(p) to clarify that funding for county demonstration grants applies to continuing projects from the 2006-07 fiscal year.

Appropriations Subcommittee on Justice and Public Safety

Subcommittee Summary:

The Appropriations Subcommittee on Justice and Public Safety consists of 23 members of the General Assembly. The Subcommittee reviews and recommends the budget for the six State criminal justice agencies. The major programs covered under the Subcommittee include corrections, juvenile justice, law enforcement, the court system, victim services, and emergency management.

Subcommittee Membership:

Rep. Alice Bordsen, Chair
 Rep. Jimmy Love, Chair
 Rep. James Boles
 Rep. Melanie Goodwin
 Rep. David Guice
 Rep. Pat Hurley
 Rep. Darren Jackson
 Rep. Carolyn Justus
 Rep. Annie Mobley
 Rep. Tim Moore
 Rep. Shirley Randleman
 Rep. Timothy Spear
 Rep. Sarah Stevens
 Rep. Ronnie Sutton
 Rep. Ray Warren

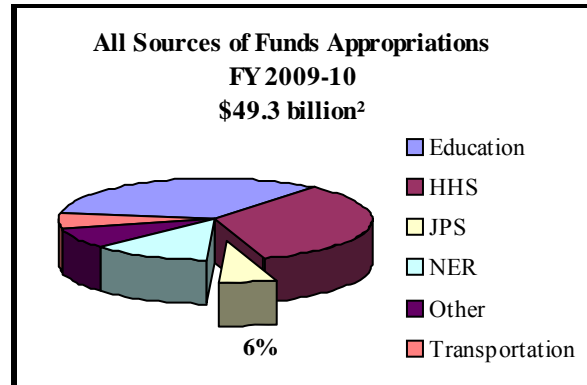
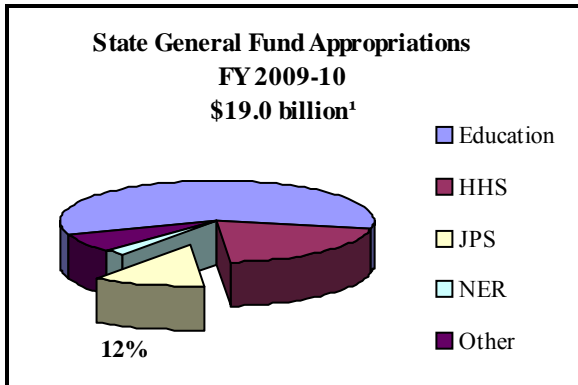
Sen. Eleanor Kinnaird, Chair
 Sen. John Snow, Chair
 Sen. Tom Apodaca
 Sen. Stan Bingham
 Sen. Peter Brunstetter
 Sen. Dan Clodfelter
 Sen. Ed Jones
 Sen. R. C. Soles, Jr.

Staff:

Denise Thomas, Team Leader
 Douglas Holbrook
 John Poteat
 Jean Sandaire

Budget Comparison:

The combined budgets under the Appropriations Subcommittees on Justice and Public Safety total \$2.2 billion or 11.5% of net General Fund appropriations and nearly 6% of all funding sources reported for FY 2009-10. The following charts illustrate the Justice and Public Safety Subcommittee’s total compared to other appropriations subcommittee totals:



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Department of Correction

G.S. 143B-260 Department of Correction Creation

G.S. 143B-261 Department of Correction Duties

Agency Description:

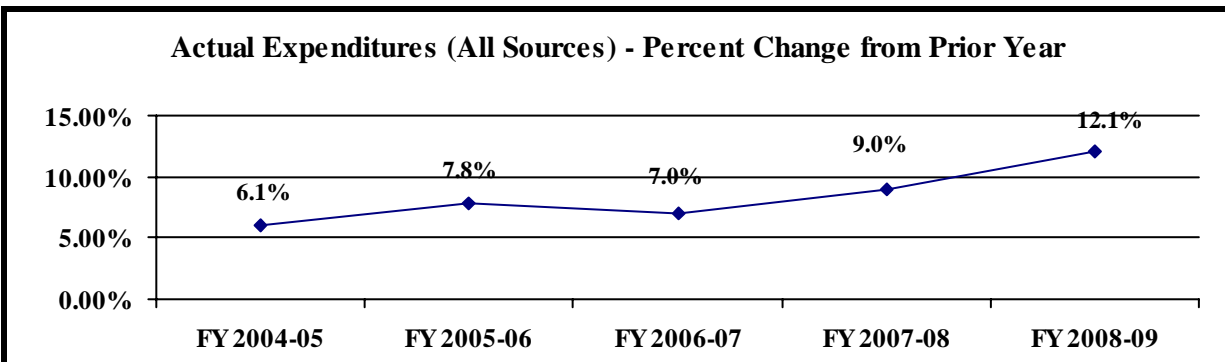
The Department of Correction (DOC) manages three primary programs: prisons, community corrections, and substance-abuse treatment. A fourth major program, the Post Release Supervision and Parole Commission, is housed in the Department but operates independently. The Division of Prisons manages over 70 facilities whose functions include providing security, basic health services, education, and work programs for over 40,000 inmates. The Division of Community Corrections manages probation and parole services for over 117,000 offenders, including special programs such as sex offender monitoring. The Division of Alcohol and Chemical Dependency serves incarcerated offenders, probationers, and parolees by providing a continuum of treatment services ranging from 35-day outpatient programs to 12-month residential programs.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	1,305,322,343	1,463,425,417	1,360,779,886	1,372,584,639
Revenue	51,703,397	207,329,845	46,964,409	46,092,409
Net Appropriations	\$1,253,618,946	\$1,256,095,572	\$1,313,815,477	\$1,326,492,230
Positions (FTE)	21,019.50	21,169.00	20,353.50	20,461.00

Budget Overview:

The total budget for the Department of Correction is \$1.36 billion for FY 2009-10 and \$1.37 billion for FY 2010-11. The FY 2009-10 budget is 4.6% over actual expenditures for FY 2008-09. Approximately 96.5% of DOC operations are funded by net General Fund appropriations with only 3.5% of the budget coming from receipts. Note that DOC's budgeted revenue in each year of the FY 2009-11 biennium, \$46 million, is significantly less than FY 2008-09 actual, \$207 million. Due to the FY 2008-09 revenue shortfall, \$150 million in federal American Recovery and Reinvestment Act (ARRA) funds were transferred to DOC for the May and June 2009 payrolls.

The average annual percentage change in the DOC budget from FY 2003-04 to FY 2007-08 is 8.1%. Approximately 76% of the FY 2009-10 budget is for personnel costs (salaries and benefits). As such, growth in the prison population is the major budget driver in DOC - 83% of the total FY 2008-09 budget, or \$1.1 billion, is appropriated to the Division of Prisons.



Department of Correction

Budget Tables

The following table provides a breakdown of the Department of Correction’s total General Fund operating budget by major program and fund code.

Department of Correction (14500 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Departmental Management	56,637,811	56,756,867
Division of Alcohol and Chemical Dependency	19,955,055	19,964,223
Division of Prisons	1,128,962,524	1,144,287,680
Division of Community Corrections	162,606,243	161,591,161
Post-Release Supervision and Parole	1,487,390	1,488,834
Reserves (Prisons, Community Corrections)	(9,624,303)	(12,260,536)
Grievance Resolution Board	755,166	756,410
TOTAL	\$1,360,779,886	\$1,372,584,639
Revenue	(46,964,409)	(46,092,409)
NET GENERAL FUND APPROPRIATIONS	\$1,313,815,477	\$1,326,492,230

The following table provides a breakdown of the funds administered by the Department of Correction, including the General Fund operating budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Department of Correction (04502-Canteen)	31,081,057	31,081,057
Department of Correction (14500-General Fund)	1,360,779,886	1,372,584,639
Correction (24500-Special)	3,460,210	3,460,210
Correction (24501-Special IT)	363,543	363,543
Correction (24502-Canteen Fund)	14,976,768	14,976,768
Correction (24503-Special-Interest Earning)	29	29
Correction Enterprises (74500-Internal Services Fund)	90,690,031	90,690,031
TOTAL	\$1,501,351,524	\$1,482,075,220

Department of Correction

Other Funds

Correction Enterprise (74500)

**Balance: \$10,147,896
(as of June 30, 2009)**

The Department of Correction (DOC) manages an internal-service fund known as the Correction Enterprise Fund. The Fund is established in G.S. 148-2 as the “Prison Enterprise Fund.” G.S. 148-70 authorizes DOC to use the labor of inmates in various prison industries and to dispose of the products that the inmates produce through sale to public entities. This Fund operates solely on receipts from the sale of goods and services.

The Correction Enterprise program is designed to provide work experience and rehabilitative opportunities for inmates and to provide quality goods and services to tax-supported entities. In FY 2007-08, the program employed over 2,200 inmates in such industries as farming, meat processing, production of janitorial products, laundry operations, and sign manufacturing.

The Correction Enterprise program is authorized to sell products to any tax-supported entity, but approximately 90 percent of its sales are to State agencies. In 2009, the General Assembly authorized the Enterprise program to sell products to retirees and local governmental employees as well. The Enterprise program is allowed to retain revenue for capital and operating requirements once other obligations have been met. Recurring obligations include an annual \$500,000 transfer to the State General Fund and a transfer to the Victims Compensation Fund. The formula for allocating funds to the Victims Compensation Fund is established in G.S. 148.2, and the transfer amounted to \$253,427 in FY 2008-09.

The chart below shows the actual expenditures and receipts for FY 2008-09 and the FY 2009-10 budget.

Correction Enterprise Fund Budget		
Budget Category	FY 2008-09	FY 2009-10
Total Requirements	86,523,101	85,091,196
Receipts	84,603,030	85,509,921
Change in Fund Balance	(\$1,920,071)	\$418,725

Significant Legislative Budget Actions

Close Seven Prisons

One of the key actions affecting prisons during the 2009 Session was the closure of seven State prisons. Since prison operations account for 82 percent of the Department of Correction's budget, these closures generate \$8.4 and \$22.3 million in savings over the FY 2009-11 biennium. S.L. 2009-451 closes McCain, Umstead, Guilford, Wilmington, Gates, Union, and Cleveland and modifies operations in seven other prisons in order to maintain population neutrality. During the course of the year, Nash, Pamlico, Warren, and Craven Correctional Institutions, all medium-custody facilities, will be double-celled. Additionally, Hoke, Odom, and Lincoln Correctional Institutions will be converted from medium custody

Department of Correction

to minimum custody. These conversions are population-neutral and do not address projected growth in the prison population.

Expand Chief Probation Parole Officers

In the aftermath of well-publicized problems with the State's probation system the Department asked the US Department of Justice's National Institute of Corrections (NIC) to provide technical assistance and offer recommendations for improving the supervision of offenders. In response, the General Assembly appropriated \$1.4 million to fund 18 new Chief Probation Parole Officers (PPOs); reducing the span of control between field officers and supervisors. In 2008, the General Assembly provided \$2 million recurring and \$500,000 nonrecurring reserve to implement the Department's plan to address community corrections needs highlighted by the NIC review. Part of the \$2.5 million appropriated during the 2008 Session supported 20 new PPOs and six Chief PPOs.

Significant Special Provisions

Session Law 2009-451

Section 19.20 INMATE MEDICAL SERVICES/REQUEST FOR PROPOSALS

This section makes dramatic changes to the current system for procuring health care services for inmates in the custody of the Department of Correction. The provision requires the Department to use health-care providers currently under contract to the State Health Plan, and requires the Plan to process all inmate claims at the same rate paid for Plan members. The provision also requires the Department to issue a Request for Proposals, by April 1, 2010, to establish a provider network (specific to the Department) as well as a claims processing contractor. The Department is also required to consult with the Division of Medical Assistance to increase access to Medicaid for eligible inmates and utilize the Department's authority to extend the limits of confinement. Finally, the Department is required to make greater use of under-utilized community hospitals and to rotate use of emergency room services within a district.

Session Law 2009-575 further amended this section to express the General Assembly's intent that inmate medical payments be paid at the same rate as members of the State Health Plan. The Department and State Health Plan are directed to develop a procedure to obtain necessary services.

Note: After the General Assembly adjourned in August 2009, the Attorney General issued an opinion stating that nothing in this section or current State law specifically authorizes inmates to become members of the State Health Plan. As such, the Department of Justice is unable to implement this section. In the interim, staff of the State Health Plan and Department are working together to release the Request for Proposals earlier than originally anticipated.

Section 19.22 JUSTICE REINVESTMENT PROJECT

This section authorizes the Department of Correction to spend up to \$100,000 to contract with the Council of State Governments to conduct an analysis of the State's prison population and issues driving its growth. Similar analyses have been conducted in several states with the result of containing spending on prisons and providing crime mapping tools to local law enforcement agencies. The Department of Correction and a core group of legislators will be

Department of Correction

involved in the project. Recommendations are expected for the 2010 Session of the General Assembly.

Section 27.15 MEDIUM SECURITY ADDITION AT MAURY CORRECTIONAL INSTITUTION

Section 27.15 authorizes the Department and the Office of State Budget and Management to use up to \$16 million in unexpended funds from other DOC capital projects to construct a 500-bed medium-custody addition to Maury Correctional Institution in Greene County. For more information, see the Capital Section of this volume.

Select Programs and Other Budgetary Information

The following table compares DOC program information from 2004 to the most recent information available (2009). The growing population of older inmates will continue to strain the prison health services budget.

Category	Correction Facts		
	2004	2009	Change
Inmate Population	35,205	40,824	15.9%
Community Supervision Population	117,196	113,869	-2.8%
Prison Admissions	25,326	30,350	19.8%
A through E Felons in Prison	55.9%	55.8%	15.75%
Inmates Aged 50 or Older (Percent of Inmate Population)	2,701 (7.6%)	4,394 (10.8%)	62.6%

Department of Correction

Additional Legislation

S. L. 2009-555 (SB 489) EVEN OUT PRIOR RECORD POINTS

This act restructures the prior record level point ranges in order to expand the points in Prior Record Level I and to even out the remaining ranges. It amends GS 15A-1340.14(c) to modify the points allocated to prior record levels for felony sentencing and increases the points for:

- Level I from 0 points to not more than 1 point;
- Level II from 1–4 points to 2–5 points;
- Level III from 5–8 points to 6–9 points;
- Level IV from 9–14 points to 10–13 points;
- Level V from 15–18 points to 14–17 points; and
- Level VI, from 19 points or more to 18 points or more.

The act also makes conforming changes to the punishment chart included in G.S. 15A-1340.17(c). The changes apply to offenses committed on or after December 1, 2009.

This change will reduce admissions to prison by allowing an offender with one prior record point to be treated as a first-time offender, and by slowing down the increase in active sentence likelihood across the sentencing grid. Taken by itself, the act is projected to reduce the need for prison beds by 486 beds in five years, with an associated cost savings of over \$13 million annually. The act works in concert, however, with Session Law 2009-556 (described below), so the impact of these two legislative actions must be calculated considering both acts. The Sentencing and Policy Advisory Commission, which prepares impact estimates of legislation, will present new population projections taking these two actions into account in early 2010.

S.L. 2009-556 (SB 488) ESTABLISH PROPORTIONATE SENTENCE LENGTHS

This law amends G.S. 15A-1340.17(c) to make the increase in sentence lengths between prior record levels more proportionate using a set percentage increment. The change updates durational ranges in the sentencing guidance chart for prior record levels I–VI and offenses up to Class G. The changes apply to offenses committed on or after December 1, 2009.

The effect of this statutory change is to reduce admissions to prison and make the sentencing grid more equitable. It is estimated to reduce the need for additional prison beds by 62 in five years as a stand-alone act. This change works in concert with S.L. 2009-555, so the impact of these two legislative actions must be calculated considering both acts. The Sentencing and Policy Advisory Commission, which prepares impact estimates of legislation, will present new population projections taking these two actions into account in early 2010.

Department of Crime Control and Public Safety

G.S. 143B-473. Department of Crime Control and Public Safety – Creation.

G.S. 143B-474. Department of Crime Control and Public Safety – Duties.

Agency Description:

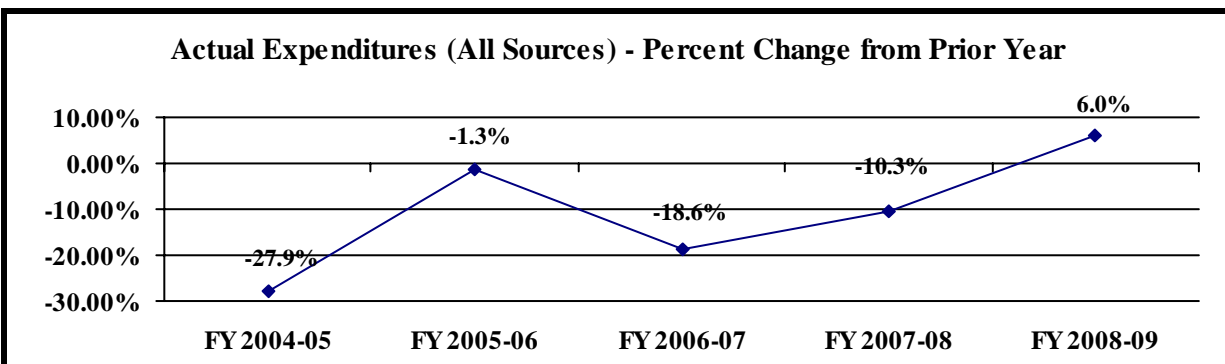
The Department of Crime Control and Public Safety (CCPS) administers programs that focus on reducing crime and enhancing public safety. Effective FY 2009-10, the State Capitol Police was transferred from the Department of Administration to CCPS. CCPS also houses the State Highway Patrol (SHP) Division. Information about the Highway Patrol is provided in the Transportation Section.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	152,165,209	161,337,912	158,254,128	157,911,859
Revenue	99,606,113	110,360,809	123,933,297	124,192,896
Net Appropriations	\$52,559,096	\$50,977,103	\$34,320,831	\$33,718,963
Positions (FTE)	565.72	591.87	641.87	640.87

Budget Overview:

The budget for CCPS is \$158,254,128 for FY 2009-10 and \$157,911,859 for FY 2010-11. The FY 2009-10 amount is about 6% less than the total agency expenditures for FY 2008-09. The FY 2009-10 budget is funded with \$34.3 million in net General Fund appropriations (22%) and \$124 million in receipts (78%). The receipts consist of federal funds that support the North Carolina National Guard, Governor's Crime Commission, and Emergency Management Division. The increase is mainly due to the appropriation of American Recovery and Reinvestment Act (ARRA) funds (\$10.8 million), the appropriation of federal receipts for the NC Redevelopment Center, and the transfer of the State Capitol Police to CCPS. The agency's staffing increased significantly between FY 2008-09 and FY 2009-10 because of the transfer to the State Capitol Police to CCPS (78 positions).

Overall, the agency's spending has fluctuated significantly over the last five years due to variances in the year-to-year receipts.



Department of Crime Control and Public Safety

Budget Tables

The following table provides a breakdown of the Department of Crime Control and Public Safety's total General Fund operating budget.

Crime Control & Public Safety (14900 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	5,132,841	4,936,481
National Guard	18,822,699	18,798,328
Civil Air Patrol	152,328	152,328
Butner Public Safety	3,666,419	3,678,306
State Capitol Police	4,081,415	4,085,683
Alcohol Law Enforcement	11,890,609	11,894,669
Emergency Management	38,174,677	38,182,937
Local Government Support (<i>NC Redevelopment Center</i>)	25,241,187	25,241,187
Victim Compensation Services	10,911,411	10,909,664
Governor's Crime Commission	40,180,542	40,032,276
TOTAL	\$158,254,128	\$157,911,859
Revenue	(123,933,297)	(124,192,896)
NET GENERAL FUND APPROPRIATIONS	\$34,320,831	\$33,718,963

The following table provides a breakdown of the funds administered by the Department of Crime Control and Public Safety.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
General Fund (14900 – General Fund)	158,254,128	157,911,859
State Highway Patrol (24960 – Highway Fund)	208,181,378	209,504,996
CC&PS (24963 – Special Rev. Disaster Relief)	63,091,230	63,091,230
Other Special Grants (24964 – DHS Grant Program)	47,628,474	47,628,474
IT Projects (24965 – IT Projects)	1,405,098	1,405,098
TOTAL	\$478,560,308	\$479,541,657

Department of Crime Control and Public Safety

Other Funds

The Department of Crime Control and Public Safety (CCPS) is responsible for management of the special fund used to administer the State's Division of Highway Patrol.

State Highway Patrol (24960)

Balance \$2,895,677
(as of June 30, 2009)

This Fund serves as the operating budget for the Division of the State Highway Patrol (SHP). Funded primarily from the State's Highway Fund (established in Chapter 2 of the 1921 Session Laws), the SHP Division also receives funding from other transfers and grants to support its programs. Of the approximately \$210 million SHP budget, 81 percent is used to support personnel (2,381.5 positions). The remaining is used for supplies, equipment, and other purchased services. The Transportation Section of this document provides further details on funding for the State Highway Patrol.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Section 17.1 REPORT ON THE USE OF ILLEGAL IMMIGRATION FUNDS

The North Carolina Sheriffs' Association is directed to report on the agency's use of Illegal Immigration Project funds received from the State. The Association will report to the Joint Legislative Correction, Crime Control, and Juvenile Oversight Committee by March 1, 2010.

Section 17.4 STUDY CONSOLIDATION OF LAW ENFORCEMENT AGENCIES

This provision directs the Office of State Budget and Management (OSBM) to study the feasibility of consolidating State law enforcement agencies. OSBM is to report on the findings and recommendations of this study to the Joint Legislative Corrections, Crime Control and Juvenile Justice Oversight Committee by February 1, 2010.

Section 17.4A ASSIST SHERIFFS' ENFORCEMENT OF SEX OFFENDER REGISTRATION LAWS

This section appropriates unspent funds remaining from the FY 2008-09 budget for a grant program administered through the Governor's Crime Commission. The funds will allow the Governor's Crime Commission to award a grant to the North Carolina Sheriffs' Association to provide sex offender registration technical assistance to sheriffs' offices.

Section 17.5 LAW ENFORCEMENT SUPPORT SERVICES FEES

This provision directs the Department to develop a fee schedule for services provided by the Law Enforcement Services Program. The Program currently provides equipment and services to law enforcement groups free of charge.

Department of Crime Control and Public Safety

Select Programs and Other Budgetary Information

Major Allocations of American Recovery and Reinvestment Act (ARRA) Funds

The Crime Control and Public Safety budget includes \$10.8 million in ARRA funds to support several agency programs. The funds, to be distributed through the Governor's Crime Commission, will help to fund new programs as well as continue programs that have been historically funded with State funds.

- **Evidence-Based Gang Grants**

Since 2005, the General Assembly has appropriated \$28.4 million in State funds for gang prevention, intervention, and suppression programs. The Governor's Crime Commission reported to the General Assembly in 2008 and 2009 on the programs funded with these grants. The Commission also made policy funding recommendations based on the information gathered from the North Carolina programs as well as national research on the best methods to address emerging gang problems.

To continue addressing the State's gang problems, the FY 2009-10 budget will allow the Governor's Crime Commission to use up to \$5 million in ARRA for evidenced-based gang grants. The Governor's Crime Commission will distribute these funds through a competitive grant program to local government and community groups. The agency's budget also includes \$200,000 in ARRA funds for the establishment of a statewide gang taskforce.

- **Local Government Grants to Purchase VIPER Equipment**

S.L. 2009-451 authorizes the Governor's Crime Commission to use up to \$5 million in ARRA funds for a Voice Interoperability Plan for Emergency Responders (VIPER) grant program for local governments interested in purchasing VIPER equipment. The State Highway Patrol is building the VIPER communication platform to allow state and local law enforcement and emergency first responders to communicate more effectively during emergencies and disaster events. To further encourage this effort, the \$5 million appropriation will allow municipalities to purchase the radio equipment needed to join the network.

- **Supplemental Grants for COPS Hiring and Recovery**

S.L. 2009-451 authorizes the Governor's Crime Commission to use up to \$400,000 for grants to municipalities that participate in the Federal COPS Hiring and Recovery Program (CHRP). The CHRP awards grants to municipalities to hire law enforcement officers. The federal grant pays for 100 percent of the salary and benefits cost for each officer hired for the first three years of employment. The supplemental State grants will be used to cover salary and benefit costs as well as equipment costs for the officers hired through the federal program. After State and federal grants funds are exhausted, responsibility for continuation of salary, benefits, training and equipment costs remains optional with the municipality.

Department of Crime Control and Public Safety

Additional Legislation

No relevant information to report.



Department of Justice

NC Constitution, Article III, Section 7 Other Elective Officers

G.S. 143A-49 Creation.

G.S.143A-49.1 Attorney General; Powers and Duties.

Agency Description:

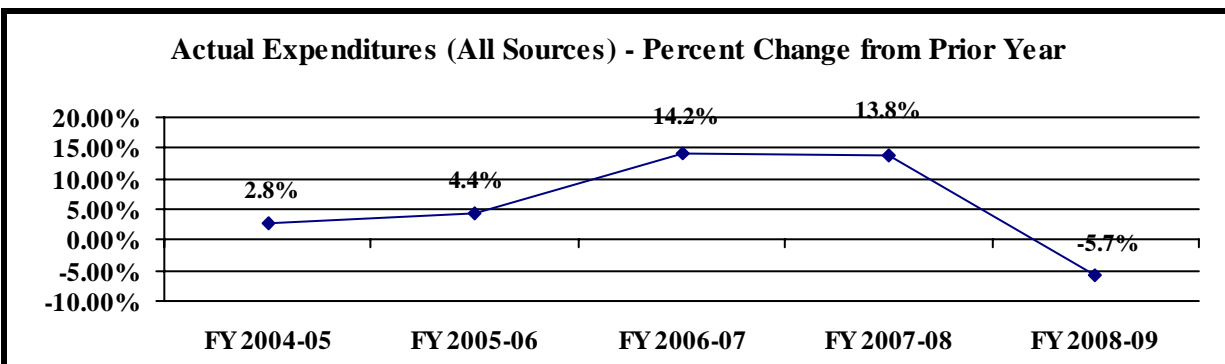
The North Carolina Department of Justice (DOJ) provides legal, law enforcement, and consumer protection services to State agencies, local governments, and the citizens of the State. The Department consists of three major divisions. The Legal Services Division provides legal representation and legal opinions to all State agencies; the State Bureau of Investigation (SBI) assists local law enforcement with criminal investigations, including homicides, robberies, and property crimes; and the Criminal Justice Training and Standards Division operates the Justice Training Academy and administers the mandatory certification program for law enforcement officials.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	130,602,987	125,957,639	123,592,566	123,654,320
Revenue	31,678,400	34,240,101	33,855,949	35,001,782
Net Appropriations	\$98,924,587	\$91,717,538	\$89,736,617	\$88,652,538
Positions (FTE)	1,338.12	1,345.74	1,296.74	1,296.74

Budget Overview:

The budget for the Department of Justice is \$123,592,566 for FY 2009-10 and \$123,654,320 for FY 2010-11. The FY 2009-10 amount is about 2% less than FY 2008-09. The FY 2009-10 budget is funded with \$89.7 million in net General Fund appropriations (73%) and \$33.9 million in receipts (27%). The receipts consist of fees collected for permits and services rendered to State agencies and the public.

Overall, the agency’s spending has increased over the last five years mainly due to increases in laboratory personnel and operating costs. However, total expenditures for FY 2008-09 were less than FY 2007-08 because in FY 2008-09, the agency reverted funds to due to the State budget shortfall.



Department of Justice

Budget Tables

The following table provides a breakdown of the Department of Justice’s total General Fund operating budget.

Department of Justice (13600 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	3,107,668	3,107,933
Legal Services	49,051,468	49,054,400
State Bureau of Investigation (SBI)	61,965,981	62,015,524
Criminal Justice and Training and Standards	9,467,449	9,476,463
TOTAL	\$123,592,566	\$123,654,320
Revenue	(33,855,949)	(35,001,782)
NET GENERAL FUND APPROPRIATIONS	\$89,736,617	\$88,652,538

The following table provides a breakdown of the funds administered by the Department of Justice.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
General Fund (13600 – General Fund)	123,592,566	123,654,320
Justice (23600 – Special)	14,200,134	14,200,134
Special Recurring (23601 – Justice Special)	2,777,437	2,777,437
Justice (23606 – Seized & Forfeited Assets)	1,499,308	1,499,308
Justice (63600 – Private Protective Services)	14,200,134	14,200,134
Justice (63601 – Special/Recurring)	2,777,437	2,777,437
TOTAL	\$159,047,016	\$159,108,770

Other Funds

**Special Recurring Receipts (23601) Balance: \$560,141
(as of June 30, 2009)**

This Fund, administered by the NC Justice Academy, to deposit revenue collected for tuition, protective service licenses, firearm permits, and various fines and penalties. This Fund also contains revenue from the sale of training materials at the Justice Academy Book Store and receipts from the US Department of Justice for a marijuana eradication program that the Department administers.

Department of Justice

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Major Allocations of American Recovery and Reinvestment Act (ARRA) Funds

The Department of Justice budget includes \$2.3 million in ARRA funds to support agency operations. The funds will help to support new programs as well as continue programs that have been historically funded with State funds, including:

- GangNet – The Department is authorized to use up to \$1.8 million in ARRA funds to expand the statewide gang intelligence information database (known as GangNet).
- Expediting criminal and drug cases – The Department is authorized to use up to \$500,000 in ARRA funds to help expedite methamphetamine and violent crime investigations.

Judicial - Administrative Office of the Courts

NC Constitution, Art. IV Judicial

Agency Description:

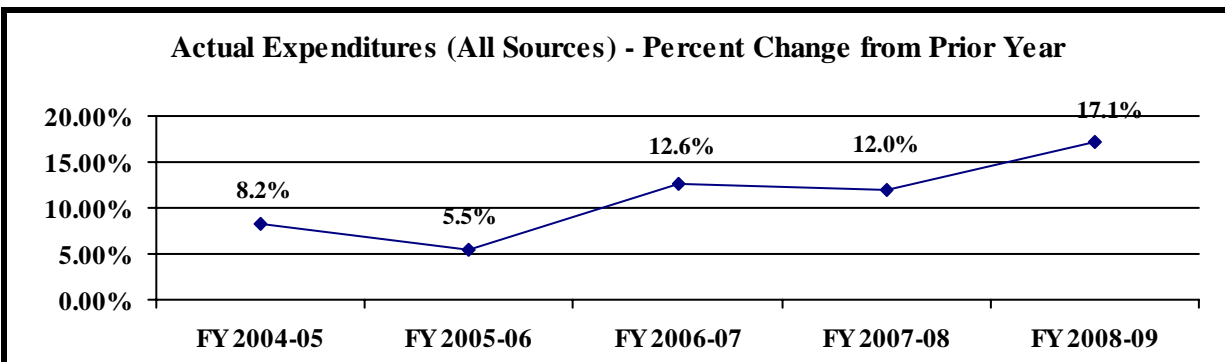
The North Carolina court system is a uniform statewide and State-operated system consisting of three divisions: Appellate, Superior Court, and District Court. Court administration and budgeting are centralized under the Administrative Office of the Courts. There are over 6,300 positions within the court system, including judges, magistrates, district attorneys, clerks, program, and administrative staff. Major programs include drug treatment court, family court, Guardian ad Litem (GAL), interpreter services, dispute resolution, custody mediation, and business court.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	446,740,939	522,993,321	469,969,810	466,795,039
Revenue	3,556,602	69,800,740	3,041,560	3,041,560
Net Appropriations	\$443,184,337	\$453,192,581	\$466,928,250	\$463,753,479
Positions (FTE)	6,088.92	6,394.42	6,347.42	6,350.42

Budget Overview:

The budget for the Judicial Department/Administrative Office of the Courts (AOC) is \$470 million in FY 2009-10 and \$466.8 million in FY 2010-11. Over 99% of AOC's cost is supported by net General Fund appropriations, with less than 1% supported by receipts, budgeted at \$3.0 million in both years of the biennium. The amount appropriated in the FY 2009-10 budget is 3.7% more than AOC's actual FY 2008-09 net expenditures. Note that AOC's budgeted revenue in each year of the FY 2009-11 biennium, \$3.0 million, is significantly less than FY 2008-09 actual, \$69.8 million. Due to the FY 2008-09 budget crisis, \$66 million in federal American Recovery and Reinvestments Act (ARRA) funds were transferred to AOC for the May and June 2009 payrolls. The budgeted receipts do not include court fees, fines, and other funds collected by the court system.

As shown in the chart below, AOC's expenditures have increased, on average, 8.4% annually in the past five fiscal years. The 12% annual growth rates in recent years reflect the impact of S.L. 2007-323 court fee increases which generated \$40 million in new General Fund revenue. The revenue provided expansion funding that was used primarily to add nearly 700 new courtroom and support positions around the State.



Judicial - Administrative Office of the Courts

Budget Tables

The following table provides a breakdown of the Judicial Department’s total General Fund operating budget.

Judicial (12000 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	50,487,897	47,677,805
Appellate	13,446,647	13,304,022
Trial Court	295,860,012	295,384,459
Equipment and Other Reserves	15,991,663	16,103,417
District Attorney Offices	93,190,403	93,334,952
Sentencing and Policy Advisory Commission	993,188	990,384
TOTAL	\$469,969,810	\$466,795,039
Revenue	(3,041,560)	(3,041,560)
NET GENERAL FUND APPROPRIATIONS	\$466,928,250	\$463,753,479

The following table provides a breakdown of the funds administered by the Judicial Department.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Judicial (12000 – AOC)	469,969,810	466,795,039
AOC (22001 – Special Revenue Funds)	12,543,757	12,543,757
AOC (22004 – Reserve for Safe Roads)	1,965,554	1,965,554
AOC (22005 – Worthless Check Fund)	1,612,000	1,612,000
AOC (22006 – Court Information Technology Fund)	8,149,239	8,149,239
AOC (22007 – Appellate Courts Printing Comp.)	509,489	509,489
TOTAL	\$494,749,849	\$491,575,078

Other Funds

Court Information Technology Fund (22006) Balance: \$2,493,725 (as of June 30, 2009)

The Court Information Technology Fund is a special revenue fund authorized by G.S. 7A-343.2. The Fund is used to deposit the fees paid by private vendors for remote electronic access to court records and the State judicial facilities court fee. The Administrative Office of

Judicial - Administrative Office of the Courts

the Courts (AOC) is authorized to use this fund for two purposes: (1) to support court technology and office automation needs and (2) to upgrade, maintain, and operate the judicial and county courthouse phone systems. S.L. 2009-451, Section 15.20.(f) increased the judicial facilities court fee from \$1 to \$3 effective September 1, 2009 and from \$3 to \$4 effective July 1, 2010. The projected revenue generated by the increase is \$2,691,112 in FY 2009-10 and \$4,036,668 in FY 2010-11.

Note that the June 30, 2009 year-end balance previously reported in the Joint Conference Report dated August 3, 2009 (S.L. 2009-451) was as of May 2009 - the figure reported above is as of June 30, 2009, a difference of \$225,237.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 15.10 ELIMINATE SPECIAL ALLOWANCE FOR SUPERIOR COURT JUDGES

This section revises G.S. 7A-44(a) to eliminate the \$7,000 annual special travel allowance and reimburse superior court judges for mileage and subsistence expenses on the same basis as State employees. As required by Article IV, Section 11 of the North Carolina Constitution, Superior Court judges are assigned to court in a different district within their judicial division every six months. Superior Court judges were provided a special travel allowance, \$7,000 per annum, to cover the lodging, meals, and other costs associated with rotation. In addition to the travel allowance, judges received mileage reimbursement. When the special allowance was initiated, there were four Superior Court judicial divisions within the State and fewer superior court judgeships. Thus, superior court judges traveled more frequently and for longer distances as compared to the present. In 2009, there are 96 superior court judgeships within eight superior court judicial divisions. A review of superior court judges' mileage reimbursement data revealed that most superior court judges take relatively few overnight trips, raising the question regarding the need to continue automatic yearly allowances for lodging and subsistence expenses.

Section 15.17E DIVIDE PROSECUTORIAL DISTRICT 11 INTO DISTRICTS 11A AND 11B

This provision revises G.S. 7A-60(a1) to divide the current Prosecutorial District 11 (Harnett, Johnston, Lee) into two districts, 11A (Harnett, Lee) and 11B (Johnston), effective January 15, 2011. The District Attorney for District 11A shall be elected in 2012 for the four-year term commencing January 1, 2013. In January 2011, the Governor shall appoint a District Attorney for District 11A to serve until January 1, 2013. The District Attorney position for District 11B shall be filled by the District Attorney currently serving District 11.

Judicial - Administrative Office of the Courts

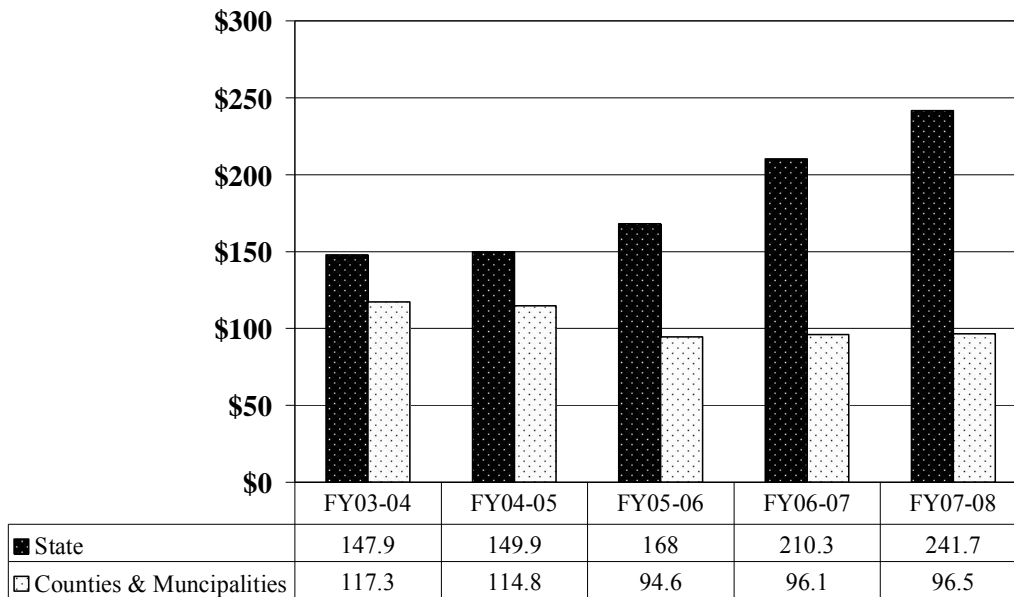
Section 15.20 INCREASE CERTAIN COURT FEES

This section increases selected court fees and establishes new fees, effective September 1, 2009. In addition, the section reduces the civil magistrate General Court of Justice fee by \$8.00. More information on the fee changes is provided in the following section.

Select Programs and Other Budgetary Information

Court Fee Changes

Court System Fee Remittances to State, Counties, and Municipalities
(\$ in Millions)



Source: North Carolina Courts Annual Reports

In FY 2007-08, the court system collected and remitted over \$300 million in court fee revenue to the State and counties. Court fee revenue has increased over 25 percent since FY 2003-04. During the 2009 Session, the Administrative Office of the Courts proposed fee increases as a partial substitute for reductions to its General Fund budget. Due to the fiscal crisis, the General Assembly's initial reduction for AOC's budget was \$79.3 million, 16 percent of its budget. In FY 2008-09, personnel compensation cost comprised over 85 percent of the court system's total budget. Reducing the court system's budget by 16 percent would require eliminating significant numbers of filled positions and most of the operating budget for various needs such as equipment, supplies, and contractual services. Over the course of the 2009 Session, the General Assembly considered various court fee and fine proposals that would have generated up to \$90 million in new revenue for the State and counties.

Judicial - Administrative Office of the Courts

S.L. 2009-451, Section 15.20, contains 14 court fee changes that are projected to increase State General Fund revenue by about \$47 million in FY 2009-10 and \$52 million in FY 2010-11.

Included among the newly established fees are:

- \$2 to offset the cost of criminal justice training and standards
- \$5 to set up an installment plan to pay court-ordered monetary obligations including fees, court costs, restitution
- \$25 for failure to comply with a judgment

Among the fees that were increased are those for judicial telephone systems, crime laboratory analysis, foreclosure filings, business court filings, and criminal record checks. Section 15.20.(m) amended AOC's statutory authority under G.S. 115C & 7A-304 to require that the court system retain 10 percent of the funds collected on behalf of counties and State agencies, as a "collection assistance fee." These fees are to be deposited into the State's General Fund. Section 15.20.(d) decreased the General Court of Justice fee for civil cases heard by magistrates from \$63 to \$55. AOC proposed that this fee be reduced to promote the use of small claims court, a more cost-effective approach to dispose of civil cases.

Additional Legislation

S.L. 2009-516 (HB 1269) AOC OMNIBUS COURTS ACT

This section amends G.S. 7A-304(a) (2) to allow counties to use any or all excess court facility fee revenue, without the approval of the Administrative Office of the Courts, to retire outstanding indebtedness incurred in the construction of facilities. In addition, AOC is authorized to establish and staff an Internal Auditing Division.

Judicial - Office of Indigent Defense

G. S. 7A-498.3 Responsibilities of Office of Indigent Defense Services

Agency Description:

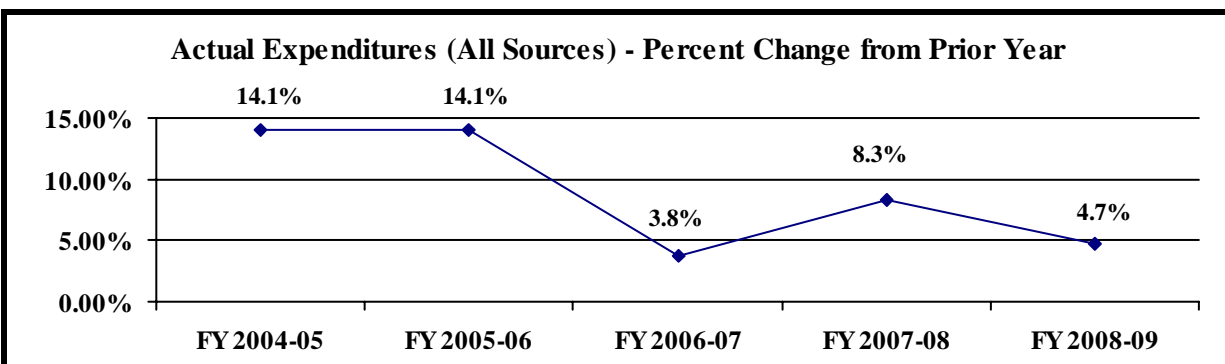
The Office of Indigent Defense Services (OIDS) was established in 2000 to carry out the State’s constitutional responsibilities to provide legal representation to indigent defendants and others entitled to counsel under North Carolina law. The Office’s responsibilities are to (1) oversee the provision of legal counsel to indigent defendants in matters before the State courts, with such legal representation and counsel provided either by court-appointed private attorneys or by staff attorneys employed by OIDS; (2) administer the Sentencing Services Program which assesses offenders and provides detailed sentencing plans to the courts prior to sentencing; and (3) provide legal advice and assistance to Department of Correction inmates.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	118,482,030	124,106,087	146,139,508	130,343,529
Revenue	10,268,642	11,847,361	10,211,519	10,211,519
Net Appropriations	\$108,213,388	\$112,258,726	\$135,927,989	\$120,132,010
Positions (FTE)	457.50	467.25	461.25	449.75

Budget Overview:

The budget for the Office of Indigent Defense Services (OIDS) is \$146,139,508 in FY 2009-10 and \$130,343,529 in FY 2010-11. The amount appropriated in the FY 2009-10 budget is 21.1% more than OIDS' actual FY 2008-09 expenditures, and includes \$7 million, non-recurring, for unpaid legal bills carried forward from the prior fiscal year. About 93% of OIDS' cost is supported by net General Fund appropriations, with about 7% supported by receipts, budgeted at \$10,211,519 in both years of the biennium. OIDS' receipts are generated primarily through application fees and the recoupment of legal service costs from convicted offenders. OIDS' funding for FY 2010-11 is significantly less than FY 2009-10 because no expansion funds are provided and funding for the private attorney payments is reduced by \$8.5 million.

The chart below provides the annual percentage increases in the OIDS expenditures for each of the past five fiscal years, with an average annual increase of 8.8%. The primary cost driver for OIDS is the growing demand for indigent legal representation, projected to increase six percent annually.



Judicial – Office of Indigent Defense Services

Budget Tables

The following table provides a breakdown of the Office of Indigent Defense Services’ total General Fund operating budget.

Office of Indigent Defense (12001 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
Indigent Persons Attorney Fund	104,102,460	90,302,460
Public Defender Service	37,620,332	37,853,806
Indigent Defense Service (Administration)	2,181,531	2,187,058
Sentencing Services Program	2,235,185	205
TOTAL	\$146,139,508	\$130,343,529
Revenue	(10,211,519)	(10,211,519)
NET GENERAL FUND APPROPRIATIONS	\$135,927,989	\$120,132,010

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

Sentencing Services Program

The Sentencing Services Program's FY 2009-10 budget was reduced by 25 percent, or \$394,444. The program provides assessments of court-involved offenders and recommends treatment and other alternatives to incarceration. In addition, the Program’s FY 2010-11 funding was eliminated pursuant to S.L. 2009-451, Section 6.6E which requires that the Program undergo a continuation review. Sentencing Services is subject to a continuation review because of questions regarding the program's effectiveness.

Significant Special Provisions

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Addressing the Need for Legal Services Cost Containment

Rising indigency rates and increased private attorney costs continue to outpace increases in State appropriations for the legal defense of indigent citizens. In FY 2008-09, the State incurred \$110 million in costs to provide legal representation for indigent persons. Of that amount, \$85 million was paid to private attorneys on contract but a total of \$7.5 million in unpaid legal bills was carried forward to be paid in the FY 2009-10 budget.

Judicial – Office of Indigent Defense Services

While the OIDS continuation budget request included increases of \$16.1 million in FY 2009-10 and \$14.3 million in FY 2010-11 for legal services, S.L. 2009-451 increased the budget by only \$12.6 million and \$5.8 million for recurring costs. The General Assembly appropriated an additional \$7 million non-recurring to pay unpaid legal service bills carried forward from FY 2008-09. However, OIDS anticipates that the fund used to pay private attorneys will be depleted by Spring 2010 and unpaid obligations will have to be carried forward for payment in the second year of the biennium.

In recent years, the General Assembly has recognized the need to contain future costs of providing legal representation for indigent persons by passing the following legislation:

- S.L. 2009-451:
 - Section 15.12 continues the authority provided by the General Assembly in prior years, to authorize OIDS to use money from the Indigent Persons Attorney Fund to establish new attorney and support positions in the State-operated public defender offices. Generally, representation provided by the public defender offices costs less than that provided by contracted private attorneys.
 - Section 15.17 directs OIDS to work with the Administrative Office of the Courts, the NC Sentencing and Policy Advisory Commission, the NC Conference of District Attorneys, and other court system actors to study strategies to reduce future demand for indigent representation, including decriminalizing certain minor misdemeanor offenses for which active sentences are rarely imposed and thereby reducing the need to have legal representation. OIDS is directed to include its cost containment proposals in the 2010 and 2011 annual reports to the General Assembly.
- S.L. 2008-107:
 - Section 14.1 allows OIDS to pilot an alternative scheduling program to reduce the amount of waiting time for attorneys in court. A study conducted in 2005 indicated that 20 to 30 percent of payments to attorneys were for the time spent waiting in court. OIDS is scheduled to report on the status of this pilot during the 2009-10 interim.
 - Section 14.7 directs the Administrative Office of the Courts (AOC) and OIDS to consult to develop a statewide system to gather information earlier in the process for determining if persons are eligible for indigent defense services. Such a system would ensure that only persons who are truly indigent would receive services. OIDS is scheduled to report on the status of this study during the 2009-10 interim.

Additional Legislation

No relevant information to report.

Department of Juvenile Justice and Delinquency Prevention

G.S. 143B-516. Duties and powers of the Department of Juvenile Justice and Delinquency Prevention

Agency Description:

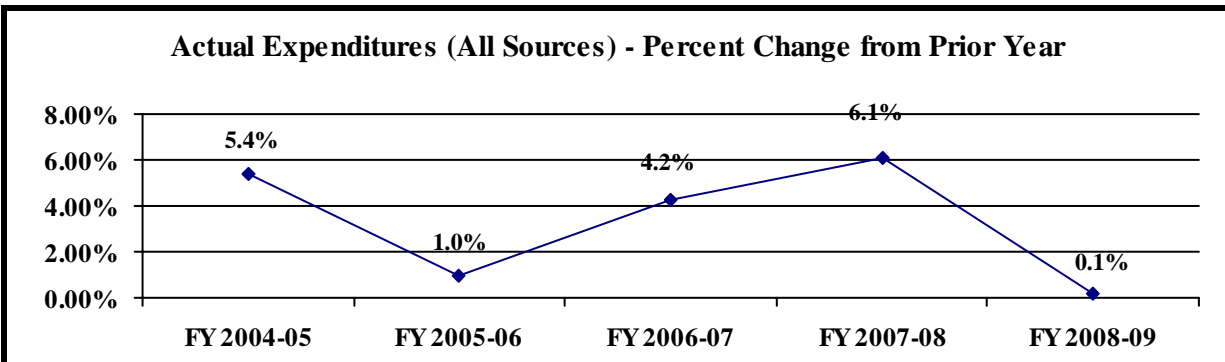
The Department of Juvenile Justice and Delinquency Prevention (DJJDP) is the cabinet agency responsible primarily for serving adjudicated juveniles and at-risk youth in a combination of increasing levels of restrictions from community-based programs to secure facilities.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	165,506,123	165,742,704	157,330,498	155,761,585
Revenue	12,114,724	11,209,656	8,577,640	8,577,640
Net Appropriations	\$153,391,399	\$154,533,048	\$148,752,858	\$147,183,945
Positions (FTE)	1,942.04	1,963.06	1,882.04	1,820.04

Budget Overview:

The budget for the Department of Juvenile Justice and Delinquency Prevention is \$157,330,498 for FY 2009-10 and \$155,761,585 for FY 2010-11. The FY 2009-10 budget is a decrease of 5.1% and the FY 2010-11 budget is a 6% decrease from the actual expenditures for FY 2008-09. DJJDP's FY 2009-10 receipts declined 24% from the previous year because of the elimination of the Support Our Students program, which was partially funded with a TANF transfer from the Department of Health and Human Services. Net General Fund appropriations account for 94.8% of the Department's budget, with major receipts derived from county detention receipts.

The average annual percentage change in the DJJDP budget from FY 2002-03 to FY 2007-08 is 3.8%. The major budget drivers for DJJDP are detention centers, youth development centers (YDCs), and intervention and prevention programs. The operating cost of the State's nine juvenile detention centers is \$18.5 million (11.7% of the budget); the operating cost of the nine YDCs is \$53.5 million (34.1% of the budget), and the cost of providing intervention and prevention services is \$58.9 million (37.5% of the budget).



Department of Juvenile Justice and Delinquency Prevention

Budget Tables

The following table provides a breakdown of the Department of Juvenile Justice and Delinquency Prevention’s total General Fund operating budget.

Department of Juvenile Justice and Delinquency Prevention (14060–General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administrative Services	7,111,014	7,258,250
Detention Services	18,460,965	19,373,251
Youth Development Centers	53,588,464	50,766,832
Special Initiatives	19,246,371	19,261,823
Support Our Students	(20)	(20)
Center for the Prevention of School Violence	(19,823)	(19,730)
Intervention & Prevention Services	58,943,527	59,121,179
TOTAL	\$157,330,498	\$155,761,585
Revenue	(8,577,640)	(8,577,640)
NET GENERAL FUND APPROPRIATIONS	\$148,752,858	\$147,183,945

The following table provides a breakdown of the funds administered by the Department of Juvenile Justice and Delinquency Prevention, including the General Fund operating budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Juvenile Justice & Delinquency Prevention (14060–General Fund)	157,330,498	155,761,585
Juvenile Justice (24060–Special)	1,775,854	1,775,854
Juvenile Justice (64060–Trust)	445,988	445,988
TOTAL	\$159,552,340	\$157,983,427

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

During the 2009 Session, the General Assembly, faced with significant projected budget gaps for the 2009-11 biennium, focused on preserving core functions within the Department of Juvenile Justice and Delinquency Prevention (DJJDP). Two programs (highlighted below) considered outside the core mission were targeted for reductions.

Department of Juvenile Justice and Delinquency Prevention

Support Our Students (SOS)

The General Assembly eliminated all funding for SOS, deemed a non-core function of DJJDP. A total of \$6,171,062 in DJJDP and \$2.6 million (federal funds) appropriated in the Department of Health and Human Services (DHHS) budget, were eliminated. The SOS provided afterschool programs for children in grades K–8 (37 percent in K–5 and 58 percent in 6–8) at 218 community- and school-based sites in 92 counties. The program served 14,333 youth, 39 percent referred for being latchkey kids, 29 percent for being below grade-level performance in school and only 1.2 percent was referred because of contact with the Juvenile Court system.

Governor's One-on-One

The General Assembly also eliminated all funding for another non-core function, the Governor's One-on-One program. The Governor's One-on-One, a mentoring program, received \$1.6 million in FY 2008-09 and served 1,152 youth in 46 counties. Sixty-six percent of the youth served in One-on-One programs were at-risk of involvement in the juvenile justice system, while 28 percent had been referred for problems identified as delinquent behavior.

Significant Special Provisions

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Division of Youth Development Centers

The General Assembly continues to discuss issues related to the operation of the State's Youth Development Centers (YDCs) including:

- The number of beds needed
- The cost efficiency of the staffing levels.

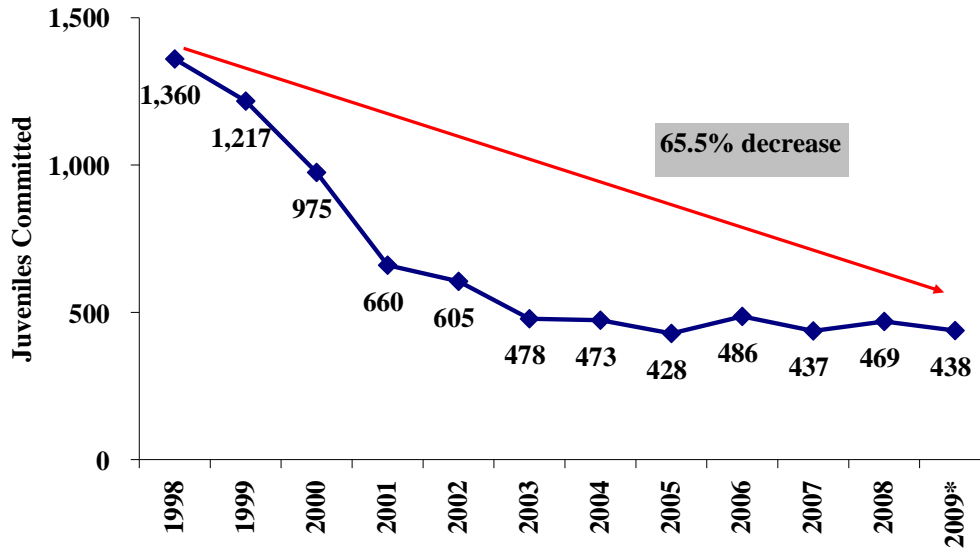
Number of Beds Needed

In North Carolina, only juveniles with serious offenses and long criminal histories are committed to YDCs. Reform of the State's juvenile justice system has led to a 66 percent decline in the YDC population since 1998 (see following chart).¹ DJJDP currently operates nine YDCs with a capacity of 431 beds. An additional 24 juveniles may be housed in new YDCs as these facilities include some rooms designed for double occupancy. As of August 2009, the State's older YDC facilities were operating at full capacity with 249 beds occupied, as compared to 106 beds (or 55%) of the State's 192 newly-built beds.

¹Juveniles with less serious offenses may be assigned to an Eckerd Wilderness Camp or community-based alternative program when appropriate.

Department of Juvenile Justice and Delinquency Prevention

Annual Youth Development Center Commitments



* 2009 data is through August 2009

Source: DJJDP, annual reports & monthly commitment reports

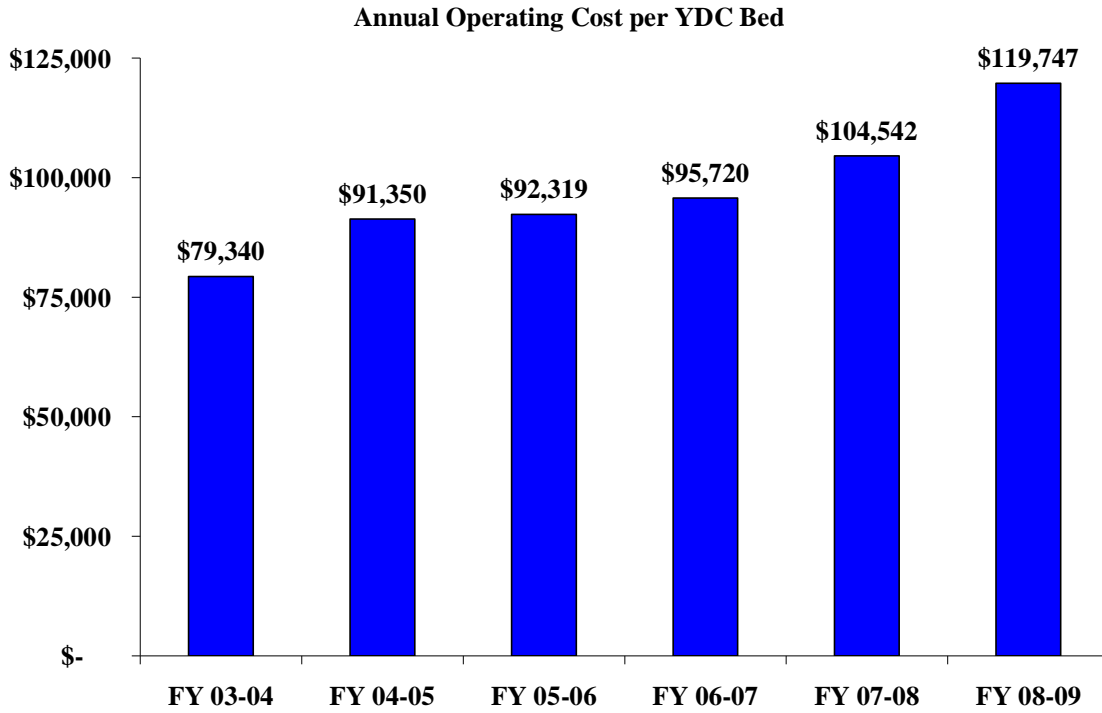
Cost-efficiency of the Staffing Levels

As part of a 2003 plan to construct and operate new YDCs, the General Assembly authorized a pilot project for the Department to develop and test a therapeutic treatment model. The results of the pilot program are being implemented in the four new YDCs. The therapeutic staffing model is a higher cost model due to the type and number of staff positions, when compared to the traditional staff model used at the older facilities. According to DJJDP estimates, the new facilities cost, on average, \$20,000 more per bed to operate. Since FY 2003-04 the cost of YDC beds has increased 51 percent, rising from \$79,340 to almost \$120,000 in FY 2008-09 (see the following chart). In the 2007 Session, the General Assembly capped the number of positions at all YDCs at no more than 2.1 staff per juvenile (e.g., 66 staff for a 32-bed facility) for the biennium. S.L. 2009-451, Sec. 18.4 maintained the cap on staffing at the YDCs.

In the 2009 Session, the General Assembly authorized the closure of the Samarkand YDC in Moore County, effective July 1, 2010. Potential issues for the General Assembly to consider in the 2010 Session are:

- Optimal bed capacity
- Future YDC closures
- Type and number of staff needed at each facility
- Cost effectiveness of current staffing model versus alternative models

Department of Juvenile Justice and Delinquency Prevention



Source: DJJDP proposed operational estimate - June 23, 2009.

Additional Legislation

No relevant information to report.

Judicial

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$497,649,235		\$507,638,940	

Legislative Changes

Administration

1 Reduce Information Technology Funding	(\$977,499)	R	(\$977,499)	R
The budget for information and other technology services is reduced.				

Department-Wide

2 Adjust Continuation Budget	(\$18,767,758)	R	(\$28,031,544)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				

3 Eliminate Telephone System Line Items	(\$3,927,583)	R	(\$3,927,583)	R
S.L.2008-107 authorized a new fee to pay for judicial and county courthouse telephone systems. Therefore, the continuation budget line items for telephone upgrades, maintenance, equipment, and operations are eliminated. (S.L.2008-107, Sec.29.8)				

4 Contractual Services	(\$1,254,146)	R	(\$1,254,146)	R
Funding for contractual services are reduced by 5 percent below the FY 2008-09 authorized level.				

5 Eliminate Vacant Positions	(\$2,022,306)	R	(\$2,022,306)	R
47 vacant positions in administration and courthouses state-wide are eliminated. AOC shall consider caseload and other factors when determining which positions are to be eliminated.				
	-47.00		-47.00	

District Attorneys

6 Divide Prosecutorial District 11 into 11A and 11B			\$164,459	R
Funding is provided to Prosecutorial District 11 (Harnett, Johnston, Lee) effective January 15, 2011. The following positions are provided effective January 15, 2011:				
				3.00

District Attorney 1.0
 DA Admin. Asst III 1.0
 DA Investigator 1.0

(S.L. 2009-451, Sec.15.17E)

Equipment and Other Reserves

7 Freeze Step Increases for Magistrates and Clerks

Freeze the step increase for the salaries of Magistrates and Clerks for FY 2009-11.

(\$2,324,864) NR (\$6,390,013) NR

8 Evaluation & Training to Improve Court Operations

Governor's recommendation: \$750,000 to be made available through the American Reinvestment and Recovery Act (Byrne/JAG Formula Program) for evaluation of court processes and procedures and developing best practices for effective programs. In addition, this funding will support continuing education and basic systems training for court professionals and those who interface with court systems. Training is especially critical to ensure the timely implementation of NCAWARE, a statewide warrant repository. The allocation of this funding will be made under the authority of the Governor's Crime Commission, the State administrator of the Byrne/JAG Formula Program.

Trial Courts

9 Dispute Resolution Centers Funding

Reduce funding for the dispute resolution centers and the Mediation Network of North Carolina by 25 percent.

(\$399,829) R (\$399,829) R

10 Reduce Pass-Through Funding to the NC State Bar

Reduce the continuation budget pass-through funding to the NC State Bar as follows:

(\$375,000) R (\$375,000) R

Civil Justice Act: (\$250,000)
 Financial Protection Law Center: (\$25,000)
 Land loss Protection Center: (\$100,000)

11 Eliminate Superior Court Judge Travel Allowance

Funding for the \$7,000 annual travel allowance for each Superior Court Judge is eliminated from the continuation budget. Superior Court Judges' travel expenses shall be paid on a reimbursement basis from the Trial Court Division's travel budget. (S.L.2009-451, Sec. 15.10)

(\$672,000) R (\$672,000) R

Total Legislative Changes

(\$28,396,121) R (\$37,495,448) R
 (\$2,324,864) NR (\$6,390,013) NR

Total Position Changes

-47.00 -44.00

Revised Budget

\$466,928,250 \$463,753,479

Court Information Technology Fund

Budget Code: 22006

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$2,718,962	\$2,718,962
Recommended Budget		
Requirements	\$8,149,239	\$8,149,239
Receipts	\$8,149,239	\$8,149,239
Positions	42.00	42.00

Legislative Changes

Requirements:

Court Information Technology Fund	\$0 R	\$0 R
Expenditures for AOC and county courthouse telephone equipment, services, upgrades, and maintenance are shifted from the General Fund to be supported with telephone/facility fee receipts.	\$0 NR 0.00	\$0 NR 0.00
Subtotal Legislative Changes	\$0 R \$0 NR 0.00	\$0 R \$0 NR 0.00

Receipts:

Telephone Fee Increase	\$0 R	\$0 R
Increase the Court Information Technology Fund telephone/facility fee (G.S. 7A-304; G.S. 7A-307) from \$1 to \$3 effective July 1, 2009, and from \$3 to \$4 effective July 1, 2010	\$0 NR	\$0 NR
Subtotal Legislative Changes	\$0 R \$0 NR	\$0 R \$0 NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$8,149,239	\$8,149,239
Revised Total Receipts	\$8,149,239	\$8,149,239
Change in Fund Balance	\$0	\$0
Total Positions	42.00	42.00
Unappropriated Balance Remaining	\$2,718,962	\$2,718,962

Special Provisions

2009 Session: SB 202

Department: Judicial

Section: 15.1

Title: **Transfer of Equipment and Supply Funds**

Summary Allows funds appropriated for equipment and supplies to be placed in a single reserve account, and authorizes AOC to allocate those funds as needed to appropriate cost centers.

Section: 15.2

Title: **Grant Funds**

Summary Authorizes AOC to spend up to \$1.5 million in available funds as the required state match for federal grants.

Section: 15.4

Title: **Report on Business Courts**

Summary Directs AOC to report annually on the activities and costs of the three business courts operating in Guilford, Wake, and Mecklenburg Counties.

Section: 15.5

Title: **Collection of Worthless Check Funds**

Summary Allows the use of the unexpended, year-end balance in the Worthless Check fund, which is a receipt-supported program, to purchase or repair office and computer equipment.

Section: 15.6

Title: **Dispute Resolution Fees**

Summary Allows the Dispute Resolution Commission to retain unexpended funds remaining in its account at year-end.

Section: 15.7

Title: **Reimbursement for Use of Personal Vehicles**

Summary Allows AOC to reimburse staff for the use of privately owned vehicles at a mileage rate less than the IRS standard business rate.

Section: 15.9

Title: **Guidelines for Maximizing Efficiency of Proceedings**

Summary Directs AOC to develop by December 1, 2009, guidelines to maximize the efficient use of the time spent by probation officers and court personnel participating in probation revocation hearings.

Section: 15.10

Title: **Eliminate Special Allowance for Superior Court Judges**

Summary Amends G.S. 7A-44(a) to eliminate the special \$7,000 annual travel allowance for Superior Court Judges. Directs that Superior Court Judges shall be reimbursed for travel outside the county of residence at the same rate used for State employees.

S.L. 2009-575, Section 13 amends this provision to clarify that superior court judges shall be paid the same travel allowance as State Employees.

Section: 15.11

Title: **Clarify That DWI Treatment Courts are a Type of Drug Treatment Court Under the Drug Treatment Court Act**

Summary Revises G.S. 7A-791 to clarify that DWI treatment courts are a type of drug treatment court.

Section: 15.17B

Title: **Travel Expenses for District Court Judges, District Attorneys, Assistant District Attorneys, Public Defenders, and Assistant Public Defenders**

Summary Amends G.S. 7A-144 (a) to restrict reimbursement for travel expenses to trips made outside of the county of residence. Excludes regular, daily commuting trips as an eligible cost for reimbursement.

Section: 15.17E

Title: **Divide Prosecutorial District 11 into Districts 11A and 11B**

Summary Effective January 15, 2011, Prosecutorial District 11 will be divided into District 11A, Harnett and Lee, and District 11B, Johnston.

Section: 15.17I

Title: **Mandatory Appointment Fee in Criminal Cases/Report on Collection of Indigent Appointment Fees**

Summary Directs judges to order the indigent appointment fees required by statute. Directs AOC to report on the collection of indigent appointment fees and recoupment rates by county

Section: 15.17J

Title: **Biennial Report on Effectiveness of Programs Receiving Juvenile Crime Prevention Council (JCPC) Grants**

Summary Directs the NC Sentencing and Policy Advisory Commission to conduct biennial studies on the effectiveness of community programs receiving JCPC grant funds and report results to the General Assembly. The first report is due May 1, 2011 and future reports shall be due May 1 of each odd-numbered year.

Section: 15.20

Title: **Increase Certain Court Fees**

Summary Authorizes increases and new court fees in both criminal and civil courts. Includes increases in the fees paid for seatbelt and helmet violations; business court, and foreclosure filings. Authorizes new charge for paying courts costs/fees on an installment plan. Authorizes AOC to remit 10 percent of fees/costs collected by the court system to the General Fund.

S.L. 2009-575, Section 13A amends this provision to indicate that a defendant may pay all court-ordered monetary obligations using an installment plan for which there is a one-time set-up fee. S.L. 2009-575, Section 14 amends this provision to change the effective date of Section 15.20.(m) from July 1, 2009 to September 1, 2009).

Special Provisions

2009 Session: HB 836

Department: Judicial

Section: 13

Title: **TECHNICAL CHANGES: Eliminate Special Allowance for Superior Court Judges**

Summary Amends S.L. 2009-451, Section 15.10 to clarify that superior court judges shall be paid the same travel allowance as State Employees.

Section: 13A

Title: **TECHNICAL CHANGES: Increase Certain Court Fees**

Summary Amends S.L. 2009-451, Section 15.20 (c) to indicate that a defendant may pay all court-ordered monetary obligations using an installment plan for which there is a one-time set-up fee.

Section: 14

Title: **TECHNICAL CHANGES: Increase Certain Court Fees**

Summary Amends S.L. 2009-451, Section 15.20 (n) to change the effective date of the collection assistance fee from July 1, 2009 to September 1, 2009.

Judicial - Indigent Defense

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$133,881,190		\$132,320,396	
Legislative Changes				
Department-Wide				
12 Contractual Services	(\$369,208)	R	(\$369,208)	R
Funding for contractual services, excluding PAC contracts, is reduced 5 percent below the FY 2008-09 authorized level.				
Indigent Defense Services				
13 Reduce Aid to Center of Death Penalty Litigation	(\$25,075)	R	(\$25,075)	R
Funding for the Center for Death Penalty Litigation contract is reduced by 5 percent. (S.L. 2009-451, Sec.15.3)				
14 Reduce Prisoner Legal Services Funds	(\$62,204)	R	(\$62,204)	R
Funding provided for the Prisoner Legal Services contract is reduced.				
Indigent Person Attorney				
15 Adjust the PAC Continuation Budget	(\$3,500,000)	R	(\$8,500,000)	R
The continuation budget for the Private Attorney Fund includes increases of \$16.1 million in FY 2009-10 and \$14.3 million in FY 2010-11. The recurring continuation increases are reduced. Non-recurring funds are provided to address the backlog of unpaid claims carried over from FY 2008-09.				
	\$7,000,000	NR		
Public Defender Services				
16 Eliminate Vacant Positions	(\$602,270)	R	(\$602,270)	R
The following vacant positions are eliminated:				
	-6.00		-6.00	
Asst Capital Defender (3.0)				
Assistant Appellate Defender (1.0)				
Assistant Public Defender (2.0)				
(S.L. 2009-575, Section 18 amended this item to clarify that the vacant appellate defender position that is to be eliminated is an Assistant Appellate Defender, not the Appellate Defender.)				
Sentencing Services				
17 Sentencing Services Program	(\$394,444)	R	(\$394,444)	R
Funding for the Sentencing Services Program is reduced. (S.L. 2009-451, Sec. 15.16)				

FY 09-10

FY 10-11

18 Continuation Review - Sentencing Services Program

Funding is provided for the Sentencing Services Program for FY 2009-10 only. Restoration of FY 2010-11 funds is subject to the findings of the Continuation Review. (S.L.2009-451, Sec. 6.6E)

(\$2,235,185)	R	(\$2,235,185)	R
\$2,235,185	NR		
		-11.50	

Total Legislative Changes

(\$7,188,386)	R	(\$12,188,386)	R
\$9,235,185	NR		

Total Position Changes

-6.00	-17.50
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Revised Budget

\$135,927,989	\$120,132,010
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Special Provisions

2009 Session: SB 202

Department: Judicial - Indigent Defense

Section: 15.3

Title: **Death Penalty Litigation Funds**

Summary Authorizes OIDS to use up to \$376,125 to contract with the Center for Death Penalty Litigation to provide services to lawyers handling capital defense cases. Directs OIDS to report on the activities funded.

Section: 15.12

Title: **Office of Indigent Defense Services Expansion Funds**

Summary Authorizes OIDS to use up to \$2,501,150 in FY 2009-10 and \$2,433,700 in FY 2010-11 from funds appropriated for the Private Attorney Fee Fund to create new positions in existing Public Defender district offices across the state.

Section: 15.13

Title: **Office of Indigent Defense Services Report**

Summary Directs OIDS to report by March 1 each year on costs and activities to provide indigent representation. In addition, the March 2010 report shall include progress on the alternative scheduling pilot and the feasibility study of providing indigent case information when counsel is first appointed.

Section: 15.14

Title: **Indigent Defense Services/State Match for Grants**

Summary Authorizes OIDS to spend up to \$50,000 in available funds as the required state match for federal grants.

Section: 15.15

Title: **Office of Indigent Defense Services Flexibility**

Summary Authorizes OIDS to use available funds as needed for registration fees, academic services, travel, and book purchases.

Section: 15.16

Title: **Sentencing Services Flexibility**

Summary Authorizes OIDS Director flexibility in determining how to implement funding reductions to the Sentencing Services Program.

Section: 15.17

Title: **Study Strategies to Reduce Demand for Services of Office of Indigent Defense Services**

Summary Directs OIDS to consult with AOC, DA Conference, NC Sentencing and Policy Advisory Commission and others to develop proposals to reduce future cost of providing legal representation to indigent persons. Directs the Office to include proposals in 2010 and 2011 reports to the General Assembly.

Special Provisions

2009 Session: HB 836

Department: Judicial - Indigent Defense

Section: 18

Title: **TECHNICAL CHANGES: Eliminate Vacant Positions**

Summary Amends S.L. 2009-451, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets, Judicial - Indigent Defense, Section I, Item 16 to specify that one vacant assistant appellate defender position shall be eliminated.

Justice

GENERAL FUND

Adjusted Continuation Budget	FY 09-10		FY 10-11	
	\$100,441,147		\$101,047,019	
Legislative Changes				
Administration				
19 Shift Administrative Position to Receipt Support	(\$44,215)	R	(\$44,215)	R
Governor's recommendation that an appropriated administrative position be shifted to receipt support. This position will now be funded by receipts generated through administrative charges from grants, cost of collection for DPI school penalties, Private Protective Services operating receipts, and Justice Academy Bookstore receipts	-1.00		-1.00	
Criminal Justice Training and Standards - CJTS				
20 Reduce CJTS Operating Funds	(\$950,391)	R	(\$1,900,782)	R
Reduction in operating funds for the Criminal Justice Training and Standards Division. This reduction will be offset by receipts from a new \$2.00 fee to support the division. (S.L.2009-451, Sec. 15.20 (a))				
Department-wide				
21 Adjust Continuation Budget Line Items	(\$3,562,180)	R	(\$4,106,298)	R
The continuation budget is adjusted to remove increases for maintenance agreements, legal services, and miscellaneous contractual services.				
22 Reduce Various Operating Accounts	(\$215,000)	R	(\$215,000)	R
Governor's recommendation that funding for various operating accounts be reduced across the agency.				
23 Eliminate 48 Agency Positions	(\$2,562,782)	R	(\$2,562,782)	R
Through the elimination of some vacant and filled positions, the agency's total authorized staffing level is reduced by 48 FTE positions.	-48.00		-48.00	
Legal Services				
24 Reduce NCLEAF Funding	(\$125,000)	R	(\$125,000)	R
Reduction in funding for the North Carolina Legal Education Assistance Foundation (NCLEAF). (S.L.2009-451, Sec. 16.4)				

FY 09-10

FY 10-11

25 Shift Consumer Protection Positions to Receipts	(\$1,333,242)	R	(\$1,333,242)	R
Shifts 21 positions in the Consumer Protection Program from General Fund appropriation to receipt support. Receipts associated with court orders and legal consumer settlements will be used to fund these positions.	-21.00		-21.00	
26 Maximization of Medicaid Fraud Recovery Efforts	(\$168,566)	R	(\$168,566)	R
Reduction in the General Fund appropriation for the Medicaid Fraud Unit. This reduction will be offset by the program's efforts to maximize recovery fees and related administrative receipts.				
State Bureau of Investigation - SBI				
27 Reduce SBI Overtime Budget	(\$121,841)	R	(\$121,841)	R
Reduction the SBI overtime budget.				
28 Reduce Vehicle Replacement Budget	(\$342,303)	R	(\$342,303)	R
Reduction in the SBI vehicle replacement budget.				
29 Reduce Telecommunication Service Charges	(\$459,599)	R	(\$459,599)	R
Governor's recommendation that telecommunication service charges be reduced by providing all connections to criminal databases through secure internet connections.				
30 Reduce SBI Equipment Budget	(\$442,368)	R	(\$442,368)	R
Reduction in the SBI equipment budget.				
31 Eliminate the Fingerprint Card Program	(\$15,696)	R	(\$15,696)	R
Governor's recommendation that the fingerprint card program be eliminated now that all 100 counties have access to the Statewide fingerprint Identification System (SAFIS), which utilizes live scan devices.				
32 Shift IT Positions to Receipt Support	(\$165,905)	R	(\$165,905)	R
Governor's recommendation that two appropriated Information Technology positions be shifted to receipt support. These positions will now be funded through user fees associated with the criminal databases that these positions support.	-2.00		-2.00	
33 Increase SBI Crime Lab Fee	(\$195,442)	R	(\$390,884)	R
Governor's recommendation that the fee assessed on convicted criminals to recover the cost of SBI Crime Lab analysis be increased from \$300 to \$600. DWI cases make up a large percentage of the total revenue generated from this fee. (S.L.2009-451, Sec. 15.20(a))				

34 Expand GangNet

Governor's report on the use of funding of up to \$1.8 million to be made available through the American Recovery and Reinvestment Act (Byrne/JAG Formula Program) for an expansion of the GangNet intelligence information database. The database will be expanded to include probation officers, the State Bureau of Investigation, the State's Homeland Security Intelligence Network and the NC Justice Xchange, which facilitates criminal integration by allowing the exchange of information throughout the criminal justice community. These efforts will be coordinated with Durham County and Charlotte-Mecklenburg, which administer the GangNet eastern and western nodes, respectively. The allocation of this funding will be made under the authority of the Governor Crime Commission, the state administrator of the Byrne/JAG Formula Program.

35 Federal Funds to Expedite Criminal and Drug Cases

Governor's report on the use of funding of up to \$500,000 to be made available through the American Recovery and Reinvestment Act (Byrne/JAG Formula Program) to support overtime expenditures required to expedite methamphetamine and violent crime investigations. This funding will be made under the authority of the Governor's Crime Commission, the state administrator of the Byrne/JAG Program.

Total Legislative Changes	(\$10,704,530)	R	(\$12,394,481)	R
Total Position Changes	-72.00		-72.00	
Revised Budget	\$89,736,617		\$88,652,538	

Special Provisions

2009 Session: SB 202

Department: Justice

Section: 16.1

Title: Private Protective Services and Alarm Systems Licensing Boards Pay for Use of State Facilities and Services

Summary Directs the Private Protective Services and Alarm Systems Licensing Boards to pay for use of state facilities and services.

Section: 16.2

Title: Use of Seized and Forfeited Property Transferred to State Law Enforcement Agencies by the Federal Government

Summary Requires that the Departments of Justice, Correction, and Crime Control and Public Safety report to the Joint Legislative Commission on Governmental Operations on the receipt and intended use of federally forfeited funds or assets.

Section: 16.3

Title: Certain Litigation Expenses to be Paid by Clients

Summary Requires that departments, agencies, and boards reimburse the Department of Justice for litigation and other costs incurred by the department for services provided to these entities.

Section: 16.4

Title: NC Legal Education Assistance Foundation Report on Funds Disbursed

Summary Requires the foundation to report annually on the use of the State funds it receives to assist attorneys in repaying student loans.

Section: 16.5

Title: Hiring of Sworn Staff Positions for the State Bureau of Investigation

Summary Requires the State Bureau of Investigation (SBI) to hire sworn personnel only for certain purposes

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$172,484,415		\$172,651,108	

Legislative Changes

36 Adjust Continuation Budget	(\$7,853,573)	R	(\$6,067,225)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				

Administration

37 Eliminate Seven Central Office Positions	(\$426,955)	R	(\$426,955)	R
The Governor recommends eliminating seven central office positions, including one human resources position, one webmaster position, one administrative secretary, one information technology project manager, and three facility investigators. These eliminations are a combination of filled and vacant positions				
	-7.00		-7.00	

38 Reduce Appropriation for Furniture	(\$218,393)	NR	(\$218,393)	NR
The Governor recommends funding for furniture be reduced on a nonrecurring basis.				

39 Reduce Legal Services	(\$58,848)	R	(\$58,848)	R
Reduce the continuation budget for Legal Services.				

Center for the Prevention of School Violence

40 Eliminate the CPSV	(\$481,225)	R	(\$481,225)	R
Eliminate funding for the Center for the Prevention of School Violence (CPSV). According to the Department, this division serves as a resource center and "think tank" for schools. These functions are not part of the core mission of the Department.				
	-6.00		-6.00	

Department wide

41 Gang Prevention and Intervention Pilot Program				
The Governor recommends using \$6 million from the American Reinvestment and Recovery Act for the implementation of a two-year Gang Prevention and Intervention Pilot Program. This program will focus on youth at-risk for gang involvement and those who are already associated with gangs and gang activity. The pilot program will serve Cabarrus, Mecklenburg, Nash, Edgecombe, Wilson, and Halifax Counties. (S.L.2009-451, Sec.18.5)				

42 Reduce equipment

Reduce the continuation budget for equipment. The Department opened four new YDCs in 2008 and the need for new equipment has declined.

(\$500,000) NR (\$500,000) NR

43 Contractual Services

Funding for contractual services are reduced by 5 percent below the FY 2008-09 authorized level. This reduction does not apply to Eckerd Wilderness Camps or the Multi Purpose Groups Homes, which have been reduced elsewhere.

(\$316,048) R (\$316,048) R

44 Eliminate vacant positions

Eliminate 25 positions that have been vacant for a year or longer. The Department has the flexibility to identify the positions to eliminate.

(\$974,956) R (\$974,956) R
-25.00 -25.00

Intervention/Prevention

45 Eliminate Alternative to Detention Contract

The Governor recommends eliminating the Alternative to Detention Contract, which provides short-term emergency placement of juveniles through a local provider in District 23 and District 28.

(\$43,885) R (\$43,885) R

46 Eliminate Pass-Through Funding-Boys & Girls Club

Eliminate pass-through funding to eight Boys & Girls Clubs that received a special appropriation of \$50,000 each that was used as part of a match for grant funds that the clubs no longer receive.

(\$400,000) R (\$400,000) R

47 Reduce Pass-Through Funding- Project Challenge

Reduces administrative funding for Project Challenge. This reduction will not affect the direct services Project Challenge provides in the 33 counties it operates.

(\$32,000) R (\$32,000) R

48 Additional Juvenile Court Counselors

The Governor recommends using \$1.5 million from the American Reinvestment and Recovery Act to fund 12 new court counselors and 2 new supervisors. These positions will be time limited.

Special Initiatives

49 Reduce Eckerd Wilderness Camp contract

Reduce the Eckerd Camp contract, which would close two of seven camps.

(\$2,768,714) R (\$2,768,714) R

50 Close the Alamance Multi-Purpose Home

The Governor recommends closing the Alamance Multi-Purpose Home because of low capacity and low utilization.

(\$600,000) R (\$600,000) R

FY 09-10**FY 10-11****51 Eliminate Funding for Governor's 1 on 1**

(\$1,645,545) R (\$1,645,545) R

Eliminate funding for the Governor's One on One mentoring program. This program serves lower risk youth in 46 counties and these programs would be eligible for JCPC funds.

52 Reduce Pass-Through Funding for the JAC

(\$41,359) R (\$41,359) R

Reduce pass-through funding for the Juvenile Assessment Center by 25%.

Support Our Students**53 Eliminate the Support Our Students program**

(\$6,171,062) R (\$6,171,062) R

The Governor recommends eliminating funding for the SOS program, including the elimination of three filled positions. The subcommittee recommends taking the SOS General Funding and providing it to the JCPC county allocation to provide additional prevention services. (S.L. 2009-451, Sec. 18.6) (S.L. 2009-575, Section 18A amended this item to correct the figures for the elimination of the SOS program.)

-3.00

-3.00

Youth Development Centers**54 Eliminate Youth Development Center positions**

(\$948,994) R (\$948,994) R

The Governor recommends eliminating 19 vacant Youth Development Center positions. The positions are located at Dillon, Cabarrus, Edgecombe, and Chatham Youth Development Centers.

-19.00

-19.00

55 Eliminate the Treatment Training Reserve

(\$250,000) R (\$250,000) R

Eliminate the treatment training reserve in the continuation budget, which was established to aid the Department in its efforts to train staff in their therapeutic treatment model.

56 Close the Samarkand YDC

(\$3,521,954) R

Effective September 1, 2009, close the Samarkand YDC. In 2008, the Department opened four new replacement YDCs. (S.L. 2009-575, Section 18B amended this item to delay the closing of the Samarkand YDC to July 1, 2010.)

-62.00

Total Legislative Changes

(\$23,013,164) R (\$24,748,770) R

(\$718,393) NR (\$718,393) NR

Total Position Changes

-60.00 -122.00

Revised Budget

\$148,752,858 \$147,183,945

Special Provisions

2009 Session: SB 202

Department: Juvenile Justice & Delinquency Prevention

Section: 18.1

Title: Annual Evaluation of Community Programs

Summary Revises annual reporting for DJJDP programs: Eckerd, Camp Woodson, and Multipurpose Group Homes. The reporting requirements for the Support our Students (SOS) and Governor's One-on-One programs were dropped because the funding for the programs was eliminated. The reports are due March 1 to the Appropriations Committees of the Senate and House of Representatives, Appropriations Subcommittees on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section: 18.2

Title: Reports on Certain Programs

Summary Continues the annual reporting requirement for the non-profit agencies (Project Challenge and the Juvenile Assessment Center) which receive pass-through funding from the Department. The reports are due April 1 to the he reports are due March 1 to the Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section: 18.3

Title: State Funds May Be Used as Federal Matching Funds

Summary Continues provision for the upcoming fiscal year, which allows the state DJJDP appropriation to county as the State match for federal juvenile justice block grant funds awarded to county and local governments.

Section: 18.4

Title: Treatment Staffing Model At Youth Development Centers

Summary Continues provision for the biennium capping the staffing at the new and existing YDCs at no more than 66 staff for a 32-bed facility, 198 staff for a 96-bed facility, and no more than 2.1 staff for every juvenile at existing facilities.

Section: 18.5

Title: Establishment of A Gang Prevention and Intervention Pilot Program

Summary Requires annual evaluation report on the effectiveness of a two-year pilot program to focus on youth at risk for gang involvement and those already involved with gangs and gang activity. This provision follows a money report item that establishes a \$6 million pilot program in Cabarrus, Mecklenburg, Nash, Edgecombe, Wilson, and Halifax Counties. The report is due April 1 to the JPS Appropriations Subcommittees and to the Oversight Committee.

Section: 18.6

Title: Eliminates the Support Our Students (SOS) program

Summary Repeals Part 5A of Article 3 of Chapter 143B of the General Statutes.

Section: 18.7

Title: **Juvenile Crime Prevention Council (JCPC) Grant Reporting and Certification**

Summary Continues the annual JCPC reporting and certification requirements, which includes a breakdown of the number of at-risk, diverted, and adjudicated juveniles served by counties, and the Department's actions to ensure county JCPC's prioritize funding for dispositions of intermediate and community-level sanctions for court-adjudicated juveniles. The October 1 report is due to the Appropriations Committees of the Senate and House of Representatives and the Joint Legislative Commission on Governmental Operations.

Section: 18.9

Title: **Establish Youth Accountability Planning Task Force**

Summary Establishes a 21-member Youth Accountability Planning Task Force within the Department of Juvenile Justice and Delinquency Prevention. The Task Force shall study whether the State should lower the age of juvenile jurisdiction to include 16 and 17 years olds. As part of its study, the Task Force shall develop an implementation plan, including costs and legal changes, that may be used if it is determined the age should be expanded. The Task Force shall submit an interim report to the JPS Appropriations Subcommittees and to the Oversight Committee. The final report is due January 15, 2011.

Special Provisions

2009 Session: HB 836

Department: Juvenile Justice & Delinquency Prevention

Section: 18A

Title: **TECHNICAL CHANGE: Eliminate SOS Program**

Summary Amends S.L. 2009-451, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets, Section I, Item 53 to correct the figures for the elimination of the SOS program to read (\$6,171,062) in FY 2009-10 and (\$6,171,062) in FY 2010-11.

Section: 18B

Title: **TECHNICAL CHANGE: Close Samarkand YDC**

Summary Amends S.L. 2009-451, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets, Section I, Item 56 to change the effective date of the closure of the Samarkand YDC from September 1, 2009 to July 1, 2010. There will no be reduction in funding or positions for the 2009-10 fiscal year.

Correction

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$1,384,910,571		\$1,406,791,264	
Legislative Changes				
57 ARRA Fiscal Stabilization Funds				
Allocation of the Federal ARRA recovery fund credit.	(\$12,926,135)	NR	(\$12,926,135)	NR
58 Reduces Continuation Budget Increases	(\$15,000,000)	R	(\$6,000,000)	R
Reduces continuation budget increases in the Department's base budget.				
59 Reduce Miscellaneous Contracts	(\$995,960)	R	(\$995,960)	R
Reduces the Department's Miscellaneous Contracts line item, Fund Code 2199, by 5%.				
60 Eliminate Vacant Positions	(\$3,763,800)	R	(\$7,527,600)	R
Eliminates 100 vacant positions within the Department of Correction in FY 2009-10 and 200 positions in 2010-11.	-100.00		-200.00	
61 Eliminate 87 Positions	(\$4,369,668)	R	(\$4,369,668)	R
Eliminates 87 positions throughout the Department of Correction, adding up to \$4,369,668 in reductions.	-87.00		-87.00	
62 Increase Federal Alien Assistance Receipts	(\$872,000)	NR		
Governor's Recommendation: the State Criminal Alien Assistance Program (SCAAP) makes federal funds available to states for the purpose of recouping costs associated with incarcerating undocumented aliens. The Department of Correction anticipates future funding from this program will exceed its current budget, and increases the budgeted amount for this receipt line item.				
63 Reduce Jail Misdemeanant Payments	(\$10,000,000)	R	(\$10,000,000)	R
Eliminates the requirement that DOC pay \$18 per offender per day to counties as a subsidy for holding inmates with sentences greater than 30 days but less than 90 (S.L. 2009-451, Section 19.22A).				
64 Reduce Women at Risk	(\$87,500)	R	(\$87,500)	R
Reduces pass-through appropriation to Women at Risk by 25%.				

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65 Reduce Harriet's House	(\$68,750) R	(\$68,750) R
Reduces pass-through appropriation to Harriet's House by 25%		
66 Reduce Summit House	(\$123,129) R	(\$123,129) R
Reduces pass-through appropriation to Summit House by 10%		
67 Reduce Our Children's Place	(\$36,500) R	(\$36,500) R
Reduces pass-through appropriation for Our Children's Place by 25%. (S.L.2009-451, Sec. 19.15)		
68 Eliminate Assistant Secretary	(\$89,046) R	(\$89,046) R
Eliminates the position of Assistant Secretary for Program Development. This position's primary function is to seek federal grants for the Department. This function can be performed by the Office of Research and Planning, and financial oversight of grants is performed by the DOC Controller's Office.		
	-1.00	-1.00
Community Corrections		
69 Reorganize Community Corrections Districts	(\$778,081) R	(\$1,037,431) R
Reduces the number of Judicial District Manager offices by 14. Allows the Department to recombine districts to achieve this reduction.		
	-14.00	-14.00
70 Expand Chief Probation Parole Officer Positions	\$1,383,273 R	\$1,383,273 R
Provides funding for an additional 18 Chief Probation Parole Officer (CPPO) positions. This expansion supports recommendations from the National Institute of Corrections 2008 report to improve the span of control between supervisors and field officers. The Division's goal is to have a 7:1 ratio between supervisors and field officers. Eighteen positions will be effective October 1, 2009.		
	18.00	18.00
71 Eliminate DCC Lease Payments	(\$1,184,849) R	(\$2,349,849) R
Requires counties to provide suitable office space for probation offices pursuant to GS 15-209 (S.L. 2009-451, Section 19.19).		

72 Community Corrections Intake Officers

The Governor reports on the use of funding of up to \$1.23 million to be made available through the American Reinvestment and Recovery Act for new Community Corrections Intake Officer positions. These positions will perform court intake duties and administrative functions in urban areas where court dockets currently require significant time commitments from Probation/Parole Officers. As recommended in the recent National Institute of Corrections report, these new positions will enable Probation/Parole Officers to dedicate more time to monitoring offenders under their supervision and less time performing administrative functions.

73 VIPER Radios for Improved Community in DCC

The Governor recommends using \$1.3 million from the American Reinvestment and Recovery Act for the purchase of 406 VIPER (interoperable communications) radios to be deployed to those Division of Community Corrections offices within the current VIPER service area.

Engineering

74 Shift Construction Contracts to Receipt Support

Governor's Recommendation: funds contracts for oversight of Inmate Construction Program from the special indebtedness funding new prison construction.

(\$200,000)	R	(\$200,000)	R
(\$600,000)	NR	(\$600,000)	NR

Prisons

75 Close Seven Prisons

(\$8,442,814) R (\$22,330,604) R

Seven prisons are to be closed during the course of the 2009-10 Fiscal Year.

-516.00

-516.00

McCain Correctional Hospital Will close on April 1, 2010. To maintain services associated with McCain, Hoke (April 1) and Odom (February 1) Correctional Institutions will be converted from medium custody to minimum, eliminating 155 positions. Additionally, Nash (October 1) and Pamlico (March 1) Correctional Institutions, both medium custody, will be double-celled with 99 additional positions.

Umstead Correctional Center will be closed on October 1, 2009, and Guilford Correctional Center will be closed on November 1, 2009, with a position reduction of 95. Lincoln Correctional will be converted to minimum custody on September 1, 2009, and Warren Correctional will be double-celled for medium custody inmates on November 1, 2009. Lincoln will lose 28 positions and Warren will gain 18.

The Wilmington Residential Facility for Women will close on September 1, 2009. The reduction for Wilmington is reduced by \$168,740 in the first year of the biennium to allow for ten additional contractual beds at the Center for Community Transitions in Charlotte.

Gates and Union Correctional Centers will close on October 1, 2009, with a total position reduction of 68.

Cleveland Correctional Center will close on December 1, 2009, with a reduction in positions of 50. Craven Correctional Institution will be double-celled effective December 1 with a position increase of 7.

76 Eliminate Gym and Visitation Posts

(\$4,027,332) R (\$4,027,332) R

Reduces post assignments in prison facilities for gymnasium and visitation duties. This will require some reorganization within individual units.

-107.00

-107.00

77 Eliminate Community Work Crews

(\$4,780,105) R (\$4,780,105) R

Eliminates 127 work crews that provide labor for State and local governmental entities at no cost, as well as providing occupational development for inmates, and 127 associated officer positions. The DOC may charge actual cost to governmental entities for these services (S.L. 2009-451, Section 19.24).

-127.00

-127.00

78 Reduce Inmate Road Squads and Litter Crews

(\$2,260,000) R (\$2,260,000) R

Reduces requirements for the Road Squad and Litter Crew programs associated with a 20% reduction in receipts from the Highway Fund.

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	FY 09-10		FY 10-11	
79 Reduce Correctional Officers and Lieutenants	(\$1,334,595)	R	(\$1,334,595)	R
Eliminates 27 vacant Correctional Officer positions, 7 vacant Lead Correctional Officer positions, and one filled Correctional Lieutenant position.	-35.00		-35.00	
80 Reduce Job Orders for Repair and Renovation	(\$299,259)	NR	(\$299,259)	NR
Governor's Recommendation: reduces requests for repairs and renovations to prison facilities.				
81 Reduce Temporary/Contractual Positions	(\$89,788)	R	(\$89,788)	R
Reduce funding for temporary and contractual positions.				
82 Shift Positions to Inmate Welfare Support	(\$149,056)	R	(\$149,056)	R
Governor's Recommendation: shifts three Telecommunication Support Technician positions that support the inmate pay phone system from General Fund support to Inmate Welfare Fund receipts. (S.L.2009-451, Sec.19.13)	-3.00		-3.00	
Total Legislative Changes	(\$56,397,700)	R	(\$66,473,640)	R
	(\$14,697,394)	NR	(\$13,825,394)	NR
Total Position Changes	-972.00		-1072.00	
Revised Budget	\$1,313,815,477		\$1,326,492,230	

Correction Canteen Fund

Budget Code: 24502

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$2,666,842	\$2,517,786
Recommended Budget		
Requirements	\$14,827,712	\$14,827,712
Receipts	\$14,827,712	\$14,827,712
Positions	0.00	0.00

Legislative Changes

Requirements:

Inmate Welfare Fund	\$149,056 R	\$149,056 R
Shifts three positions from General Fund support to Inmate Welfare Fund Receipts	\$0 NR	\$0 NR
	3.00	3.00
Subtotal Legislative Changes	\$149,056 R	\$149,056 R
	\$0 NR	\$0 NR
	3.00	3.00

Receipts:

Inmate Welfare Funds	\$0 R	\$0 R
	\$0 NR	\$0 NR
Subtotal Legislative Changes	\$0 R	\$0 R
	\$0 NR	\$0 NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$14,976,768	\$14,976,768
Revised Total Receipts	\$14,827,712	\$14,827,712
Change in Fund Balance	(\$149,056)	(\$149,056)
Total Positions	3.00	3.00
Unappropriated Balance Remaining	\$2,517,786	\$2,368,730

Special Provisions

2009 Session: SB 202

Department: Correction

Section: 19.1

Title: Inmate Road Squads and Litter Crews

Summary This provision appears in the budget each year, and sets the amount of transfer from the Highway Fund to the General Fund to support inmate crews that maintain the highways and pick up litter along roadsides. This transfer was reduced by 20% from previous years to \$9,040,000.

Section: 19.2

Title: Federal Grant Reporting

Summary This section requires all JPS agencies to report by May 1 of each year to the Joint Legislative Commission on Governmental Operations on federal grants received or pre-approved. This is a standard provision renewed every biennium.

Section: 19.3

Title: Reimburse Counties for Housing and Extraordinary Medical Costs for Inmates, Parolees, and Post-Release Supervisees Awaiting Transfer to State Prison System

Summary This provision authorizes the Department of Correction to use its available funds to pay counties \$40 a day for holding State prisoners who are awaiting an available bed in the prison system.

Section: 19.4

Title: Use of Closed Prison Facilities

Summary This is a standard provision that offers counties, state and federal agencies, and non-profits opportunities to use prison facilities that have been shut down. This provision includes a new section directing the Department of Correction to study the feasibility of establishing Probation Revocation Centers in closed facilities.

Section: 19.5

Title: Limit Use of Operational Funds

Summary This standard provision sets up the time frame for staffing newly-constructed prisons. Hiring, with limited exceptions, cannot commence until 120 days prior to the completion of a facility.

Section: 19.6

Title: Center for Community Transitions/Contract and Report

Summary This standard provision permits the Department of Correction to maintain a contract with the Center for Community Transitions, formerly Energy Committed to Offenders, and to require CCT to report annually on the performance in the contract.

Section: 19.8

Title: **Parole Eligibility Report/Mutual Agreement Parole Program/Medical Release Program**

Summary This provision merges and expands two standard provisions from earlier years. The provision requires an annual report on inmates eligible for parole and how long they have served relative to how long they would have served if sentenced today. The provision also requires a report on the Mutual Agreement Parole Program, an option for the Parole and Post-Release Supervision Commission to develop contracts with inmates to establish a release date subject to the inmate's compliance with conditions. The provision is expanded to include a report on the use of the Medical Release Program authorized in 2007.

Section: 19.9

Title: **Federal Grant Matching Funds**

Summary This standard provision authorizes the Department of Correction to spend up to \$1.2 million to match federal grants.

Section: 19.10

Title: **Reports on Nonprofit Programs**

Summary Continues annual reporting requirements for four nonprofits that receive pass-through funds from DOC to serve female offenders (Harriet's House, Summit House, Women at Risk, and Our Children's Place). The reports are due February 1 to the Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section: 19.11

Title: **Criminal Justice Partnership**

Summary Continues annual reporting requirements on the Criminal Justice Partnership Program, including the amount of funds carried forward from the prior fiscal year, the number of community and intermediate offenders served and the amount spent on each type of offender, and a short description of the services and programs provided by each program. In addition, it permits counties to offer more than one type of program and recalculates the county allocation using updated data.

Section: 19.12

Title: **Report on Probation and Parole Caseloads**

Summary Modifies report on the current caseloads to include data on current caseload and district averages, span of control for chief probation officers, analysis of optimal caseloads, and the number and role of paraprofessionals supervising low-risk caseloads. The report shall include an update on the Department's implementation of recommendations from the 2004 and 2008 National Institute of Corrections technical assistance, and the process for assigning offenders to an appropriate level of supervision. The report has been modified to include data on the number of sex offenders enrolled on active and passive GPS monitoring. The March 1 report is due to the Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section: 19.13

Title: **Report on Inmate Welfare and Correction Enterprises**

Summary This provision requires the Department of Correction to perform a study on the feasibility of transferring funding of positions currently paid by Inmate Welfare Fund receipts and Correction Enterprise receipts to the General Fund.

Section: 19.14

Title: **Pre-Sentence Investigations Feasibility Study**

Summary Requires the Department of Correction and the Administrative Office of the Courts to conduct a feasibility study of conducting pre-sentence investigations for all offenders convicted of felonies for which a judge has the option of imposing an intermediate or active punishment. The May 1 report is due to the Appropriations Committees of the Senate and House of Representatives, the Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section: 19.15

Title: **Study Incarcerated Mothers Program**

Summary This provision requires Our Children's Place, Inc., to present a comprehensive plan for the implementation of a program allowing incarcerated women to keep their children with them. The provision also allows the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee to make recommendations with respect to such a program to the 2010 session.

Section: 19.16

Title: **Authorize State Retirees and Local Governmental Employees to Purchase from Correction Enterprises**

Summary This provision adds State retirees and local government employees to the list of individuals able to purchase goods from the Correction Enterprise Division.

Section: 19.19

Title: **Accommodations For Probation Offices**

Summary Modifies existing statute (G.S.15-209) requiring counties to provide suitable office space in or near the courthouse for probation officers and their administrative support staff, not Department of Correction management staff. Adds language requiring county court and jail facility fee funds be used to pay for the space in the event that a county is unable to provide adequate space.

Section: 19.20

Title: **Inmate Medical Services/ Request for Proposals**

Summary This provision changes the system for obtaining health care services for inmates in the custody of the Department of Correction. Section (a) of the provision requires the Department to use health-care providers currently under contract to the State Health Plan, and requires the Plan to process all inmate claims at the same rate paid for Plan members. Section (b) requires the Department of Correction to issue a Request for Proposals to establish a provider network specific to the Department as well as a claims processing contractor. This RFP must be issued by April 1, 2010. Section (c) requires the Department to consult with the Division of Medical Assistance to increase access to Medicaid for inmates otherwise eligible and to utilize the Department's authority to extend the limits of confinement. Section (d) requires the Department to make greater use of under-utilized community hospitals and to rotate use of emergency room services within a district

S.L. 2009-575, Section 15A amends this provision to clarify that the new rate structure for inmate medical payments also applies to health care providers who provide services within the prison).

Section: 19.22

Title: **Justice Reinvestment Project**

Summary This provision authorizes the Department of Correction to expend up to \$100,000 in available funds as the required match for the Council of State Governments' Justice Reinvestment Project.

Section: 19.22A

Title: **Repeal Jailed Misdemeanant Payments**

Summary This provision repeals the requirement that the State pay counties \$18 to house county prisoners serving sentence from 30 to 90 days.

Section: 19.22B

Title: **Gates County Correctional Institute Wastewater Facility Transfer**

Summary This provision requires the Department of Correction to continue operating the wastewater treatment facility at Gates Correctional Center for six months

S.L. 2009-575, Section 16 amends this provision to extend the period that the Department of Correction must continue to operate the wastewater treatment plant at the closed Gates Correctional Center from 6 months to one year).

Section: 19.24

Title: **Community Work Crew Fee**

Summary Permits the Department of Correction to charge a fee to any unit of local government to which it provides a community work crew. The fee cannot exceed a daily rate of \$150.00 per crew.

Section: 19.26

Title: **Increase Fee For Community Service Work Program**

Summary Increases the fee for individuals who participate in the Community Service Parole Program from \$200 to \$225.

S.L. 2009-575, Section 16A amends this provision to clarify that the community service work fee increase will apply to persons ordered to perform community service on or after September 1, 2009).

Special Provisions

2009 Session: HB 836

Department: Correction

Section: 15A

Title: **TECHNICAL CHANGE: Inmate Medical Services/ Request for Proposals**

Summary Amends S.L. 2009-451, Sec. 19.20 to clarify that the new rate structure for inmate medical payments also applies to health care providers who provide services within the prison.

Section: 16

Title: **TECHNICAL CHANGE: Gates County Correctional Institute Wastewater Facility Transfer**

Summary Amends S.L. 2009-451, Sec. 19.22B to extend the period that the Department of Correction must continue to operate the wastewater treatment plant at the closed Gates Correctional Center from 6 months to one year.

Section: 16A

Title: **TECHNICAL CHANGE: Increase Fee for Community Service Work Program**

Summary Amends S.L. 2009-451, Sec. 19.26 to clarify that the community service work fee increase will apply to persons ordered to perform community service on or after September 1, 2009.

Crime Control and Public Safety

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$43,925,878		\$44,067,870	
Legislative Changes				
Administration				
83 Law Enforcement Support Services (LESS)	(\$430,336)	R	(\$430,336)	R
This recommendation makes funding for the Law Enforcement Support Services (LESS) nonrecurring in FY 2009-10. The budget bill also includes a special provision that directs the program to develop a fee schedule to make the program fully receipt-supported by the FY 2010-11. (S.L. 2009-451, Sec.17.5)	\$430,336	NR	-5.00	
84 Elimination of Administrative Staff Positions	(\$82,685)	R	(\$82,685)	R
Elimination of two administrative positions.	-2.00		-2.00	
Alcohol Law Enforcement - ALE				
85 Reduce ALE Operating Budget	(\$190,000)	R	(\$190,000)	R
Reduction in operating funds for the Alcohol Law Enforcement division.				
86 Make the Boxing Authority Receipt Supported	(\$147,751)	R	(\$147,751)	R
Governor's recommendation that the North Carolina Boxing Authority no longer be supported through appropriation. All of the operations of the Boxing Authority will be shifted to fee receipts collected by the Authority. These fee receipts are currently over realized. (S.L.2009-451, Sec.17.7)	-2.00		-2.00	
87 Make Bingo Regulation Receipt Supported	(\$26,600)	R	(\$26,600)	R
This recommendation eliminates the General Fund appropriation used for bingo regulation. This action will be offset by an increase in the bingo license fee to make the program no longer rely on General Fund appropriation. This fee has not been increased since 1983. (S.L.2009-451, Sec. 17.6)				
Butner Public Safety				
88 Reduce Butner Public Safety Operating Budget	(\$361,266)	R	(\$361,266)	R
Reduction in operating funds for Butner Public Safety.				

Department-wide

89 Adjust Continuation Budget Line Items

(\$2,124,937) R (\$2,291,729) R

The continuation budget is adjusted to remove increases for the maintenance agreements, legal services, and miscellaneous contractual services. (S.L.2009-575, Sec.18.C corrected the adjustment to the Department's continuation budget.)

90 Reduce Various Operating Accounts

(\$641,147) R (\$641,147) R

Governor's recommendation that various operating accounts be reduced across the agency.

91 Eliminate 4 Vacant Positions

(\$190,018) R (\$190,018) R

Elimination of the listed 4 vacant positions. Positions to be eliminated:

-4.00 -4.00

- 60084186 Processing Assistant V
- 60087071 Public Safety Officer
- 60084174 Processing Assistant IV
- 60084166 Information Processing Tech.

(S.L. 2009-575, Sec. 18D adjusted this reduction from 6 vacant positions to 4 vacant positions)

92 Transfer of State Capitol Police to Crime Control

\$3,109,489 R \$3,112,757 R

Type I transfer of the State Capitol Police Division from the Department of Administration to the Department of Crime Control and Public Safety. The Department of Administration is transferring a budget with total requirements of \$4,081,415 in FY 09-10 and \$4,085,683 in FY 10-11 that supports a total of 78 positions: 55 appropriated and 23 receipted, and operating expenses:

55.00 55.00

	FY 09-10	FY 10-11
Total Requirements	\$4,081,415	\$4,085,683
Receipts	\$971,926	\$972,188
Appropriation	\$3,109,489	\$3,112,757

(S.L.2009-451, Sec.17.3)

Emergency Management

93 Shift Floodplain Mapping Positions to Receipts

(\$1,405,098) R (\$1,405,098) R

Governor's recommendation that the appropriation for the Floodplain Mapping Program be replaced with receipts collected under the terms of Section 29.7(b) of H2436 (S.L. 2008-107), which established a fee to support floodplain mapping. This recommendation will shift 20 appropriated positions in the Floodplain Mapping Program to receipt support.

-20.00 -20.00

Governor's Crime Commission

94 25% Reduction in funding for NCVAN

25 percent decrease in funding for the North Carolina Victims Assistance Network (NCVAN).

(\$37,500) R (\$37,500) R

95 Illegal Immigration Project

Funding to the Governor's Crime Commission to contract with the North Carolina Sheriffs' Association for immigration enforcement services. (S.L.2009-451, Sec.17.1)

\$150,000 NR

96 Reduce State Match Funds for Federal Grants

Governor's recommendation to reduce state match funds for federal grants.

(\$60,091) R (\$60,091) R

97 Evidence-Based Gang Grants

The Governor reports on the use of funding of up to \$5 million to be made available through the American Reinvestment and Recovery Act (Byrne/JAG Formula Program) for the Governor's Crime Commission to award evidence-based grants that focus on gang prevention, treatment, intervention, and re-entry programs. Special emphasis will be placed on consultation with the Department of Juvenile Justice and Delinquency Prevention to engage local Juvenile Crime Prevention Councils (JCPC's) in the development of gang prevention programs that address local priorities developed as a result of the JCPC's local gang threat assessments. The allocation of this funding will be made under the authority of the Governor's Crime Commission, the state administrator of the Byrne/JAG Formula Program.

98 Local Government Grants to Purchase VIPER Equip't

The Governor reports on the use of funding of up to \$5 million to be made available through the American Reinvestment and Recovery Act (Byrne/JAG Formula Program) for the Governor's Crime Commission to award grants to local governments for VIPER (Interoperable communications) equipment in order to enhance communications among public safety agencies. The allocation of this funding will be made under the authority of the Governor's Crime Commission, the state administrator of the Byrne/JAG Formula Program.

99 Governor's Statewide Gang Task Force

The Governor reports on the use of \$200,000 in funding from the American Recovery and Reinvestment Act (Byrne/JAG Formula Program) for the establishment of a Statewide Gang Task Force. This task force will be established within the Governor's Crime Commission to bring key stakeholders together to develop a comprehensive plan and create legislation to ensure a well coordinated, statewide enforcement program and increase the flow of gang-related information among various law enforcement agencies, correctional institutions, and the judicial system. This item will be supported by administrative funds made available to the Governor's Crime Commission through the Byrne/JAG Formula Program.

100 Supplemental Grants for COPS Hiring & Recovery

The Governor reports on the use of funding of up to \$400,000 to be made available through the American Recovery and Reinvestment Act (Byrne/JAG Formula Program) for the Governor's Crime Commission to provide supplemental grants to incentives local governments to participate in the COPS Hiring and Recovery Program (CHRP). CHRP grants are awarded on a competitive basis and provide funding for salaries and benefits for new law enforcement positions as well as for the reemployment of officers affected by recent budget cuts. Through the supplemental grants, up to \$4,000 will be provided to support the equipment costs for every officer hired through the COPS Hiring and Recovery Program. The allocation of this funding will be made under the authority of the Governor's Crime Commission, the state administrator of the Byrne/JAG Formula Program.

National Guard

101 Reduce Funding for Family Assistance Centers	(\$90,000)	R	(\$90,000)	R
Reduction in state funding for the National Guard Family Assistance Centers.				
102 Transfer the National Guard Pension Fund	(\$7,007,443)	R	(\$7,007,443)	R
Transfer of the National Guard Pension Fund (\$7,007,443) from the Department of Crime Control and Public Safety to the Department of State Treasurer. This transfer will allow the Department of the State Treasurer to manage this program as it does for most of the State's pension programs.				
103 Reduce National Guard Tuition Assistance Program	(\$500,000)	R	(\$500,000)	R
Reduction in funding for the National Guard Tuition Assistance program. In addition to tuition assistance available through the state program, there is also a federal program that provides tuition assistance to National Guard members.				

State Highway Patrol - SHP

104 Training to Improve State Highway Patrol Operation

Governor's report on the use of funding of up to \$200,000 to be made available through the American Reinvestment and Recovery Act (Byrne/JAG Formula Program) to provide leadership development training at every level of supervision within the State Highway Patrol, as recommended in a recent independent evaluation of the Patrol drew upon the best practices for statewide law enforcement. The evaluation found that many Patrol supervisors require stronger coaching, mentoring, and counseling skills to effectively supervise their direct reports and therefore, improve State Highway Patrol operations. The allocation of this funding will be made under the authority of the Governor's Crime Commission, the state administrator of the Byrne/JAG Program.

Total Legislative Changes	(\$10,185,383)	R	(\$10,348,907)	R
	\$580,336	NR		
Total Position Changes	27.00		22.00	
Revised Budget	\$34,320,831		\$33,718,963	

Highway Patrol

Budget Code: 24960

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$0	\$0
Recommended Budget		
Requirements	\$222,019,507	\$224,837,882
Receipts	\$222,019,507	\$224,808,402
Positions	2,381.50	2,381.50

Legislative Changes

Requirements:

Reduce Operating Funds	(\$7,831,242) R	(\$7,861,242) R
Funding for various operating accounts is reduced	(\$1,500,000) NR	(\$1,450,000) NR
	0.00	0.00
SHP Freeze Step Increase	\$0 R	\$0 R
The step increases for the salaries of Troopers are frozen for both years of the biennium. These are non-recurring reductions in both years.	(\$1,674,280) NR	(\$3,373,932) NR
	0.00	0.00
Eliminate Continuation Budget Increases	(\$2,832,607) R	(\$2,647,712) R
Adjust continuation budget to a level at or below FY 2008-09 Authorized Budget	\$0 NR	\$0 NR
	0.00	0.00
Subtotal Legislative Changes	(\$10,663,849) R	(\$10,508,954) R
	(\$3,174,280) NR	(\$4,823,932) NR
	0.00	0.00

Receipts:

Highway Patrol Receipts	(\$10,663,849) R	(\$10,508,954) R
Receipt funds from the Highway Fund are reduced.	(\$3,174,280) NR	(\$4,794,452) NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Subtotal Legislative Changes	(\$10,663,849) R	(\$10,508,954) R
	(\$3,174,280) NR	(\$4,794,452) NR
<hr/>		
Revised Total Requirements	\$208,181,378	\$209,504,996
Revised Total Receipts	\$208,181,378	\$209,504,996
Change in Fund Balance	\$0	\$0
Total Positions	2,381.50	2,381.50
<hr/>		
Unappropriated Balance Remaining	\$0	\$0

Special Provisions

2009 Session: SB 202

Department: Crime Control and Public Safety

Section: 17.1

Title: Report on the Use of Illegal Immigration Project Funds

Summary Requires the North Carolina Sheriffs Association to report on the agency's use of Illegal Immigration Project funds received from the state. The program will report to the Joint Legislative Correction, Crime Control, and Juvenile Justice Oversight Committee by March 1, 2010.

Section: 17.3

Title: Transfer of State Capitol Police to the Department of Crime Control and Public Safety

Summary Transfers the State Capitol Police via type I transfer from the Department of Administration to the Department of Crime Control and Public Safety.

Section: 17.4

Title: Study Consolidation of Law Enforcement Agencies

Summary Directs the Office of State Budget and Management (OSBM) to study the feasibility of consolidating state law enforcement agencies. OSBM is to report on the findings and recommendations of this study to the Joint Legislative Corrections, Crime Control and Juvenile Justice Oversight Committee by February 1, 2010.

S.L. 2009-575, Section 14A amends this provision to direct OSBM to study the feasibility of consolidating all state law enforcement agencies. The original special provision only required OSBM to study consolidating executive branch law enforcement agencies.

Section: 17.4A

Title: Assist Sheriffs' Enforcement of Sex Offender Registration Laws

Summary Reauthorizes unspent funds appropriated in the FY 2008-09 Budget for a grant program through the Governor's Crime Commission to assist sheriff departments with costs associated with sex offender registration work.

S.L. 2009-575, Section 17 amends this provision to award a grant to the NC Sheriffs' Association to assist the sheriffs of North Carolina with training and technical assistance in the enforcement of the State's sex offender laws. The funds for this grant shall not revert, and \$250,000 shall be appropriated to the Department of Crime Control and Public Safety to award this grant.

Section: 17.5

Title: Law Enforcement Support Services Fees

Summary The Department of Crime Control and Public Safety is directed through this special provision to develop a fee schedule for services provided by the Law Enforcement Services Program.

Section: 17.6

Title: **Increase Charitable Bingo Licensing Fee**

Summary Increases the annual bingo licensing fee from \$100 to \$200. Last increased in 1983, this increase will allow for the program to be receipt supported and no longer rely on General Fund appropriations.

Section: 17.7

Title: **Increase Fees for Licensing Boxers and for Tickets Sold at Boxing Events**

Summary Increases various boxing license fees and event admission fees to allow for the program to be completely receipt supported and no longer rely on General Fund appropriations.

Section: 17.8

Title: **Increase the Registration Fee for Deeds of Trust and Mortgages**

Summary Increases the registration fee for deeds of trust and mortgage filings from \$22 to \$28. The receipts collected will be deposited into the state General Fund and used to support governmental operations.

Special Provisions

2009 Session: HB 836

Department: Crime Control and Public Safety

Section: 14A

Title: **TECHNICAL CHANGE - Study Consolidation of Law Enforcement Agencies**

Summary Amends S.L. 2009-451, Section 17.4, to direct the Office of State Budget and Management (OSBM) to study the feasibility of consolidating all state law enforcement agencies. The original special provision only required OSBM to study consolidating executive branch law enforcement agencies.

Section: 17

Title: **TECHNICAL CHANGE - Assist Sheriffs' Enforcement of Sex Offender Registration Laws**

Summary Amends S.L. 2009-451, Section 17 to award a grant to the NC Sheriffs' Association to assist the sheriffs of North Carolina with training and technical assistance in the enforcement of the State's sex offender laws. The funds for this grant shall not revert, and \$250,000 shall be appropriated to the Department of Crime Control and Public Safety to award this grant.

Section: 18C

Title: **TECHNICAL CHANGE - Adjust Continuation Budget Line items**

Summary Amends S.L. 2009-451, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets, Section I, Item 83, to adjust the continuation budget amounts for the Department of Crime Control and Public Safety to read \$2,124,937 for FY 2009-10 and \$2,291,729 for FY 2010-11.

Section: 18D

Title: **TECHNICAL CHANGE - Eliminate Vacant Positions**

Summary Amends S.L. 2009-451, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets, Section I, Item 91, to adjust the number of vacant positions to be eliminated by reducing the total number of vacant positions to be eliminated from six to four positions and decreases the total reduction amount by \$190,018 in both fiscal years.

Appropriations Subcommittee on General Government

Subcommittee Summary:

The General Government Subcommittees, consisting of 15 members of the General Assembly, review and recommend the budgets for the 18 state agencies and departments that make up the infrastructure for State government operations including collecting revenue, maintaining a banking operation, budgeting, investing state funds, maintaining a financial accounting system, constructing buildings and maintaining facilities, acquiring and managing real property, maintaining a human resources and payroll system, administering the State’s retirement systems, regulating the insurance industry, licensing businesses, administering elections, preserving the State’s history, and administering the State's Ethics laws.

Subcommittee Membership:

Rep. Susan Fisher, Chair
 Rep. Alice Underhill, Chair
 Rep. Larry Brown
 Rep. George Cleveland
 Rep. Elmer Floyd
 Rep. Grey Mills
 Rep. Fred Steen
 Rep. Russell Tucker
 Rep. Jane Whilden

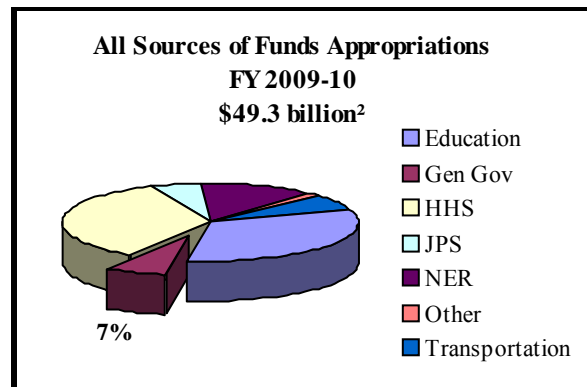
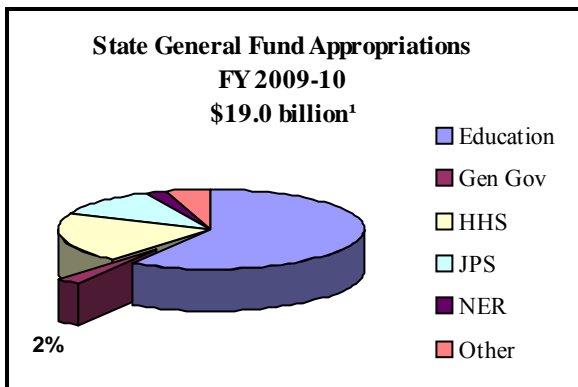
Sen. Bob Atwater, Chair
 Sen. Katie Dorsett, Chair
 Sen. Andrew Brock
 Sen. Don East
 Sen. Tony Rand
 Sen. David Hoyle

Staff:

Michele Nelson, Team Leader
 Claire Hester

Budget Comparison:

The combined budgets under the General Government Subcommittees total \$440.9 million or 2.3% of net General Fund appropriations for FY 2009-10. Of the \$49.3 billion in all funds reported for FY 2009-10, the total of all certified funds within General Government is \$3.3 billion or 6.6%. The following charts illustrate the General Government Subcommittees’ total as compared to other appropriations subcommittee totals:



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Department of Administration

G.S. 143B-367 Duties of the Department

Agency Description:

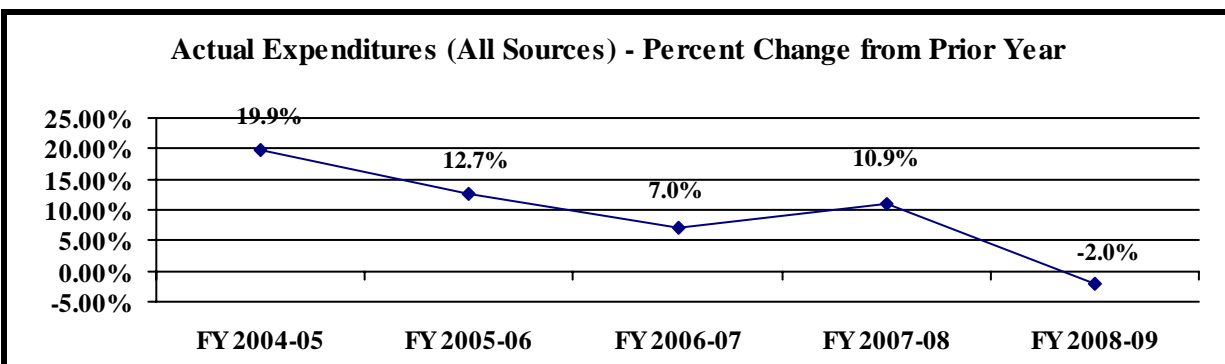
The Department of Administration acts as the business manager for North Carolina State government. The Department oversees government operations such as building construction, purchasing and contracting for goods and services, managing State vehicles, acquiring and disposing of real property, and operating auxiliary services such as courier mail delivery and the sale of State and federal surplus property. The Department also provides internal services to State agencies, including the maintenance of State-owned buildings and grounds and police security for State government facilities in Wake County. The Department also administers programs for underserved populations. For budgetary purposes, the Department includes the Office of State Personnel and the State Ethics Commission.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	115,245,685	112,976,288	105,798,390	105,338,820
Revenue	40,496,038	46,897,066	37,888,828	37,891,936
Net Appropriations	\$74,749,647	\$66,079,221	\$67,909,562	\$67,446,884
Positions (FTE)	737.66	728.65	600.65	600.65

Budget Overview:

The budget for the Department of Administration totals \$105.8 million in FY 2009-10 and \$105.3 million in FY 2010-11. Sixty-four percent of the Department’s budget is funded by General Fund appropriations. The remaining 36% of the Department’s budget is from agency and federal receipts that are used to fully support the two State Veterans Homes (\$16.3 million) and primarily support the Veterans Affairs division (\$7.1 million) and the Agency for Public Telecommunications (\$4.4 million). Other divisions are partially supported by receipts.

Over the last five years, total expenditures have increased by an average of 9.7% annually. This change is due to programmatic expansions, increased federal receipts, and additional employees. The certified FY 2008-09 budget decreased 6.2% compared to the prior fiscal year as a result of the transfer of the Governor’s Advocacy Council for Persons with Disabilities to a non-profit entity. FY 2004-05 experienced the largest percent change within the last five years, an increase of 19.9%, due to programmatic expansions for the Council for Women and Historically Underutilized Businesses.



Department of Administration

Budget Tables

The following table provides a breakdown of the Department of Administration’s (DOA) total General Fund operating budget by division. The budget includes the Office of State Personnel and the Ethics Commission. Divisions within DOA are grouped into three major categories: Internal Services, Government Operations, and the Secretary’s Office.

Dept. of Administration (14100 -General Fund)	Certified FY 2009-10	Certified FY 2010-11
Office of State Personnel	7,623,542	7,529,274
Ethics Commission	967,209	967,015
Secretary's Office:		
Office of the Secretary	3,152,569	2,889,124
Fiscal Management	1,614,243	1,616,742
Human Resources/MIS	1,815,288	1,818,355
Telecommunications	5,139,095	5,139,095
Veterans Affairs	30,611,306	30,622,628
Internal Services:		
Non-Public Education	356,651	357,423
Historically Underutilized Businesses	774,176	775,806
Council for Women	13,216,051	13,215,951
Human Relations Commission/MLK	816,940	817,514
Commission on Indian Affairs	430,509	430,362
Youth Involvement Office	987,523	819,360
GACPD	0	0
Government Operations:		
State Construction/State Building Commission	4,466,722	4,476,211
State Property	2,265,878	2,266,860
Facilities Management	28,075,764	28,183,866
Purchasing and Contracts	3,346,790	3,275,100
Other:		
Pension – Surviving Spouses	12,000	12,000
Reserves and Transfers	126,134	126,134
TOTAL	\$105,798,390	\$105,338,820
Revenue	(37,888,828)	(37,891,936)
NET GENERAL FUND APPROPRIATIONS	\$67,909,562	\$67,446,884

Department of Administration

The following table provides a breakdown of funds* administered by the Department of Administration, including the General Fund operating budget.

Total Appropriations by Fund	Certified	Certified
	FY 2009-10	FY 2010-11
Dept of Administration (14100 – General Fund)	105,798,390	105,338,820
Internal Service (74100 - Internal Service Fund)	58,442,030	60,610,971
Internal Service (Parking) (74103 - Special Revenue Fund)	1,667,708	1,667,708
Special Fund (24100 - Special Revenue Fund)	12,010,099	12,010,099
Special Unbudgeted Fund (24102 - Special Revenue Fund)	850,040	850,040
TOTAL	\$178,768,267	\$180,477,638

Note:

* Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

The Department administers two separate funds, internal service funds, as operating budgets for divisions providing goods or services to State agencies or other governments on a cost-reimbursement basis. With the exception of State Parking (maintained separately in Fund 74103), the majority of these operations are kept in a single fund, Fund 74100. In FY 2009-10, total requirements are \$58,442,030 for Fund 74100 and \$1,667,708 for Fund 74103.

In addition to the internal service funds, the Department administers two special revenue funds; Fund 24100 is supported by federal receipts for various uses by DOA, Office of State Personnel, Housing Finance Agency, and Job Training Partnership Act through the Department of Labor; and Fund 24104 is used primarily to administer funds from a reserve established by the General Assembly to improve the energy efficiency of State government buildings. In FY 2009-10, total requirements are \$12,010,099 for Fund 24100 and \$0 for Fund 24104.

A breakdown and further detail of these other funds follow.

Department of Administration

Current Operations	Balance	Actual	Certified	FTEs
	(as of June 29, 2009)	FY 2008-09	FY 2009-10	
Internal Service (74100)				
Motor Fleet	38,498,402	31,905,566	38,545,043	46.00
State Surplus Property	582,882	1,676,340	1,770,295	29.75
Mail Service Center	(800,543)	4,274,774	4,936,296	82.50
Federal Surplus Property	665,702	783,749	695,825	9.25
Temporary Solutions Program	407,997	12,961,443	12,494,571	7.23
TOTAL	\$39,354,440	\$51,601,872	\$58,442,030	174.73
Internal Service (74103)				
State Parking	193,782	1,422,707	1,667,708	12.75
TOTAL	\$193,782	\$1,422,707	\$1,667,708	12.75
Special Fund (24100)				
OSP Programs/Flex	345,665	3,043,810	3,383,373	8.50
State Energy Office*	10,899	3,317,173	6,846,819	9.00
FHA HUD	(360,036)	306,986	465,582	13.00
Other	788,794	1,158,920	1,314,325	8.85
TOTAL	\$785,322	\$7,826,889	\$12,010,099	39.35
Special Fund (24104)				
NC Works	35,904	226,444	0	0.00
Energy Efficiency Reserve	0	23,881	0	0.00
TOTAL	\$35,904	\$250,325	\$0	0.00

* Note: Although the State Energy Office is transferred to the Department of Commerce in FY 2009-10, as of June 29, 2009 the transfer had not yet taken place and thus its Special Funds remain in the Department of Administration.

Motor Fleet (74100)

Balance: \$38,498,402
(as of June 29, 2009)

The Motor Fleet Management Division was created by the General Assembly in 1982 as the central fleet agency for all of State government. The Division supplies passenger vehicle transportation to State employees for use while performing their official duties. The Division is fully supported by fees paid by State agencies. Agencies are charged \$0.33 on a per-mile basis. To reduce the fleet's use of fossil fuels, the fleet includes 5,467 alternative fuel and 129 hybrid vehicles.

Department of Administration

State Parking (74103)

Balance: \$193,782
(as of June 29, 2009)

The State Parking Division was created in 1999 to oversee downtown parking for the Raleigh State government complex. The Division manages parking for full-time and temporary State employees and visitors. Parking rates have remained the same since fees were implemented for State employees, who pay \$10 per month for parking lots and uncovered parking at the top of parking decks and \$15 per month for covered parking. Currently the Division possesses 6,821 employee parking spaces and 562 visitor parking spaces. Revenue generated from visitor and State employee parking fees is intended to fully support the operations of the State Parking Division, including the debt service on State-owned parking decks.

As multiple parking projects are planned over the next several years, a Continuation Review, a systematic review of the funds, agencies, divisions, and programs financed by State government in order to assist the General Assembly in determining whether to continue, reduce, or eliminate funding, was directed by the General Assembly in both S.L. 2008-107, Sec. 6.7 and S.L. 2009-451, Sec. 6.6E.

Significant Legislative Budget Actions

Justice for Victims of Sterilization Foundation

In order to support planning efforts associated with the establishment of the Justice for Sterilization Victims Foundation, \$250,000 is appropriated to the Department of Administration in FY 2009-10. This foundation is intended to provide justice and to compensate victims forcibly sterilized by the State of North Carolina between 1929 and 1974. Compensation amounts and the foundation's future years funding are to be determined. **(S.L. 2009-451, Joint Conference Committee Report, General Government Section, Item 2)**

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Office of State Personnel

The Office of State Personnel (OSP), administratively placed within the Department of Administration for budgetary purposes (Chapter 126 of the General Statutes), is an independent agency with a staff of 75. The OSP director is appointed by and reports to the Governor. In 1989, the functions of OSP were decentralized and personnel administration was transferred to agencies; today the Office oversees all central human resource operations within State government, including position management and compensation management. The FY 2009-10 budget for the Office is \$7,623,542.

Department of Administration

Grants Awarded by the Council for Women/Domestic Violence Commission

The Department of Administration's Council for Women/Domestic Violence Commission was established by Executive Order in 1963 and administers three grant programs for domestic violence, rape crisis, and displaced homemakers (Chapter 143B of the General Statutes). The Office of the Governor issued a Memorandum of Understanding in August 2007 to shift the administration of funds for rape crisis and domestic violence grants to the Department of Crime Control and Public Safety. This memorandum has since been terminated. As of FY 2008-09, the Council for Women has administered the domestic violence and rape crisis grants.

Domestic Violence Grants

Domestic Violence grants are funded from two sources: State appropriations and a portion of the revenues received by the State for marriage license and divorce fees. During the 2009 Session, Marriage License fees were increased from \$50 to \$60, increasing the allocation to the Domestic Violence Center Fund from \$20 to \$30 (S.L. 2009-451, Sec. 20A.4.). Grants awarded from the Domestic Violence Center Fund, G.S. 50B-9, are noncompetitive. Each county has one grantee, except for Guilford and Gates Counties, which each have two. Each county grantee and the North Carolina Domestic Violence Coalition receive an equal percentage of domestic violence funds that are appropriated annually with one exception – the two Gates County grantees split one share of the appropriation. The two Guilford County grantees receive an equal share of the appropriations. In FY 2008-09, the Council approved grants from State appropriations totaling \$4,619,183, or \$45,286 per grantee, for domestic violence programs.

Sexual Assault/Rape Crisis Grants

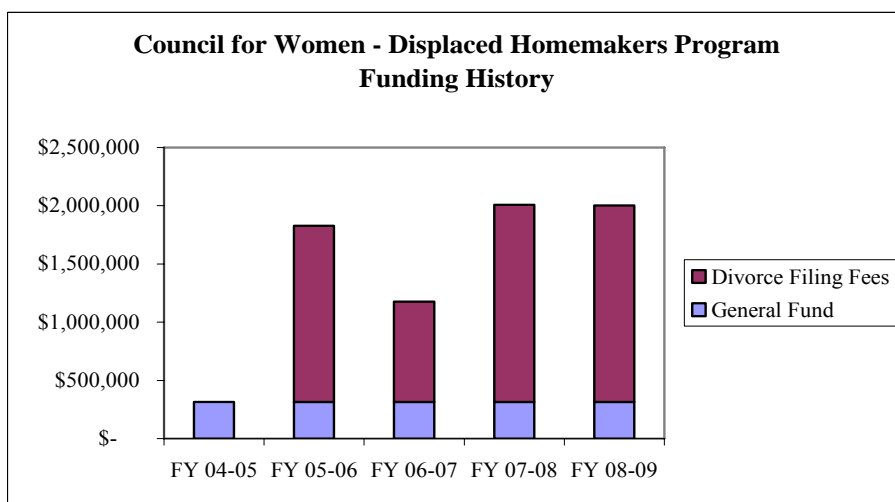
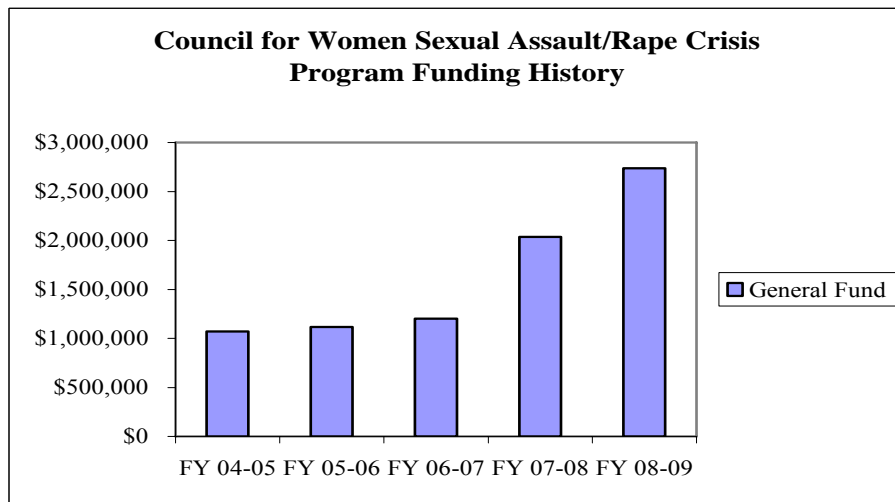
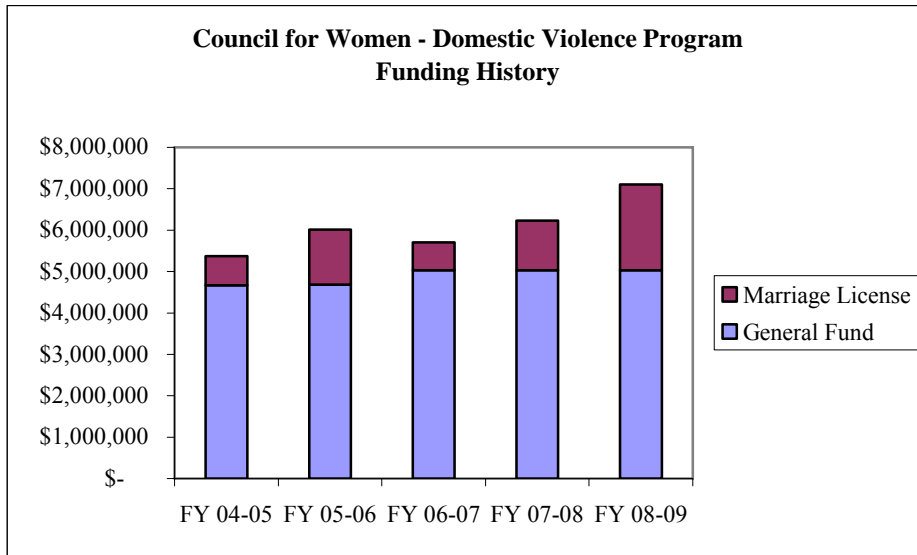
Sexual Assault grants are funded solely from State appropriations distributed to programs offering services for victims of sexual assault, rape, and domestic violence, as well as domestic violence services and other support services. In FY 2008-09, 70 stand-alone rape crisis and sexual assault providers and the NC Coalition Against Sexual Assault received \$62,736; 16 dual service providers split the remaining funds and received \$26,631 each. In FY 2008-09, a total of 86 grantees received grants from the Sexual Assault and Rape Crisis Center Fund, totaling \$2,867,944.

Displaced Homemaker Grants

Displaced Homemaker grants are funded from two sources: State appropriations (G.S. 143B-394.10) and a portion of revenues the State receives from divorce filing fees. These grants are awarded on a competitive basis and are primarily used for job training and life skills training. The Council awarded \$304,947 from State appropriations and \$1,852,219 from divorce filing fees for distribution of grants to 35 programs in FY 2008-09.

The following charts show the history of the Council for Women grant funds since FY 2004-05.

Department of Administration



Department of Administration

State Ethics Commission

S.L. 2006-201 established the State Ethics Commission to regulate and enforce the ethics law in each of the three branches of government. The Commission enforces the State Government Ethics Act (G.S. 138A) and portions of the lobbying law (G.S. 120C). The Commission is charged with receiving and evaluating disclosure statements for high-level officials and government appointees, educating covered employees and appointees, and issuing advisory opinions. The Commission also investigates probable violations in the executive branch. The legislative and judicial branches have in-house investigative authority. Prior to the Commission's establishment, the Board of Ethics had been authorized by Executive Orders issued beginning in 1977. Governor Easley terminated the Board of Ethics by Executive Order Number 116 on January 26, 2007.

In the 2009 Session no further reductions were made to the Commission's budget beyond adjustments to the continuation budget recommended by the Governor. The Commission's budget was slightly over \$967,000 each fiscal year of the 2009-11 Biennium and supports agency operations and a staff of ten positions. Compared to FY 2008-09, the budget increased approximately \$47,000 or 4.86 percent each year of the 2009-11 Biennium.

Additional Legislation

Department of Administration

S.L. 2009-241 (HB 1079) ENERGY-EFFICIENT STATE MOTOR VEHICLE FLEET

This act adds a new section 2b to G.S. 143-341(8)i, which requires the Department of Administration to give preference to new passenger motor vehicles that have a fuel economy in the top 15 percent of that class of comparable automobiles for passenger motor vehicles purchased by the State. This new requirement does not apply to purchases related to law enforcement, emergency medical response, and firefighting. The Department of Administration is required to report the number of new passenger motor vehicles that are purchased as required by this law, the savings or costs for the purchase of vehicles to comply with this law, and the quantity and cost of fuel saved for the previous fiscal year on or before October 1 of each year to the Joint Legislative Commission on Governmental Operations and the Environmental Review Commission. The first required report is due on or before October 1, 2011.

S.L. 2009-446 (HB 1481) ENERGY TO COMMERCE; OEO TO ENERGY

This act directs the Type 1 transfer of the State Energy Office from the Department of Administration to the Department of Commerce, and the transfer of the Residential Energy Conservation Assistance Program from the Department of Health and Human Services to the Energy Office of the Department of Commerce. This legislation also makes various changes to the Energy Policy Act of 1975 (Chapter 113B of the General Statutes), including clarifying changes and adding additional detail and requirements relating to appointments to the Energy Policy Council.

Department of Administration

S.L. 2009-474 (SB 425) STREAMLINE PLAN REV. & INSPECTION/STATE BUILDINGS

This act transfers the authority for building code enforcement with respect to State buildings from the Department of Insurance to the Department of Administration. The purpose of this move is to streamline the plan review and inspection process for State buildings. Four code enforcement positions are transferred from the Department of Insurance to the Department of Administration for the purposes of implementing the new law. These positions are to be supported by the Insurance Regulatory Fund until Fiscal Year 2012-13 at which time the State Property Fire Insurance Fund will begin supporting these positions. In addition to the transferred positions, the Department of Administration will establish four new Engineering/Architectural Technician-Advanced positions, to be supported by the Insurance Regulatory Fund. This act makes certain amendments to the General Statutes to continue the Secretary of Administration's authority to appoint members to the Board of Awards.

State Ethics Commission

S.L. 2009-10 (SB 136) LEC TERM CHANGES/ETHICS TRAINING

Sections 1 and 2 of this act create four-year staggered terms with no option to serve for two consecutive terms for the membership of the Legislative Ethics Committee. Section 4 clarifies the time frame for mandatory ethics training so that, for legislators, the training occurs within either two months of the convening of the General Assembly to which the legislator was elected or within two months of the legislator's appointment, whichever is later, and for legislative employees, the training must occur within three months of employment.

S.L. 2009-549 (HB 817) ETHICS TC AND OTHER CHANGES

This act changes the following areas of the Legislative Ethics Act, State Government Ethics Act, and Lobbying Laws: investigatory process and timeline, appointments to boards, resignation of lobbyists and termination of lobbyist-lobbyist principal relationships, filing periods for certain reports, requiring and evaluating Statements of Economic Interest, document discovery in relation to an upcoming ethics hearing, and notification of dismissal of complaints. This legislation also creates a joint study between the Legislative Ethics Committee and the State Ethics Commission on the issuance of advisory opinions, with a specific emphasis on advisory opinions related to indirect gifts. This study shall be reported to the 2010 Regular Session of the 2009 General Assembly.

HB 104 CLARIFY LEGISLATIVE CONFIDENTIALITY

This legislation clarifies Article 17 of Chapter 120 related to legislative confidentiality and also clarifies that the Article does not abrogate the ability of a legislator to invoke legislative immunity if a legislative employee is being required to testify as to protected information.

Note: On September 10, 2009 this bill was vetoed by the Governor.

Office of the State Auditor

NC Constitution, Art. III, Section 7 Other elective officers; G.S.147-64.6 Duties and responsibilities

Agency Description:

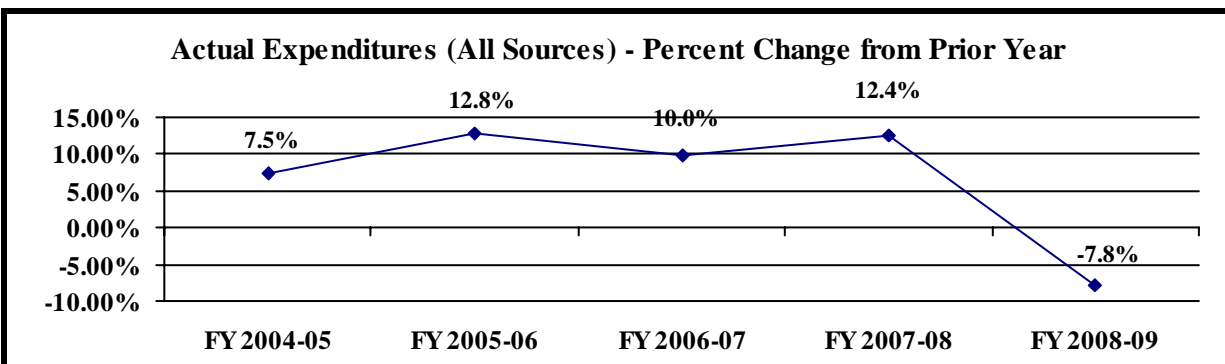
The Office of the State Auditor performs and coordinates audits of governmental organizations, programs, activities, and functions funded wholly or in part with State funds. The purpose of the audits is to examine an agency’s financial records, evaluate a program’s performance, or investigate fraud and abuse allegations reported to the State Auditor's Hotline. The Office also assesses the security of the State’s information technology systems. The State Auditor is an elected member of the Council of State.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	18,559,930	17,111,853	18,016,977	17,848,930
Revenue	5,524,956	5,938,246	4,589,935	4,593,807
Net Appropriations	\$13,034,974	\$11,173,607	\$13,427,042	\$13,255,123
Positions (FTE)	202.00	202.00	197.00	196.00

Budget Overview:

The budget for the State Auditor is \$18 million in FY 2009-10 and \$17.8 million in FY 2010-11. Approximately 74.5% of the Auditor’s budget is derived from net General Fund appropriations. Receipts are reimbursement for audits of certain State agencies. The FY 2009-10 budget increased 5.3% over FY 2008-09 actual expenditures.

Over the last five years, the average percentage change in actual expenditures was an increase of 7.0%; these expenditures have grown every year, with the exception of FY 2008-09. The actual FY 2005-06 budget was \$1.5 million more than the FY 2005-06 certified budget because the Office received \$1.1 million more in receipts from State agencies than were budgeted. The FY 2006-07 budget included \$554,336 in unused funds from the prior year; in FY 2007-08, carry forward was approximately \$950,000 higher than usual. In FY 2008-09, actual expenditures decreased due to mandatory budget reductions.



Office of the State Auditor

Budget Tables

The following table provides a breakdown of the Office of the State Auditor's total General Fund operating budget by division.

Office of the State Auditor (13300 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	1,237,616	1,232,557
Support Services	394,825	394,825
Field Audit	16,384,536	16,221,548
<hr/>		
TOTAL	\$18,016,977	\$17,848,930
Revenue	(4,589,935)	(4,593,807)
NET GENERAL FUND APPROPRIATIONS	\$13,427,042	\$13,255,123

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

Grants Training Unit

The Grants Training Unit of the Field Audit Division was eliminated in the FY 2009-11 budget, which includes the elimination of five positions. The duties of this unit were transferred to the Office of State Budget & Management. (See **Annotated Conference Report, General Government section, Item 24**)

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Department of Cultural Resources

G. S. 143-406 Organization and Duties

Agency Description:

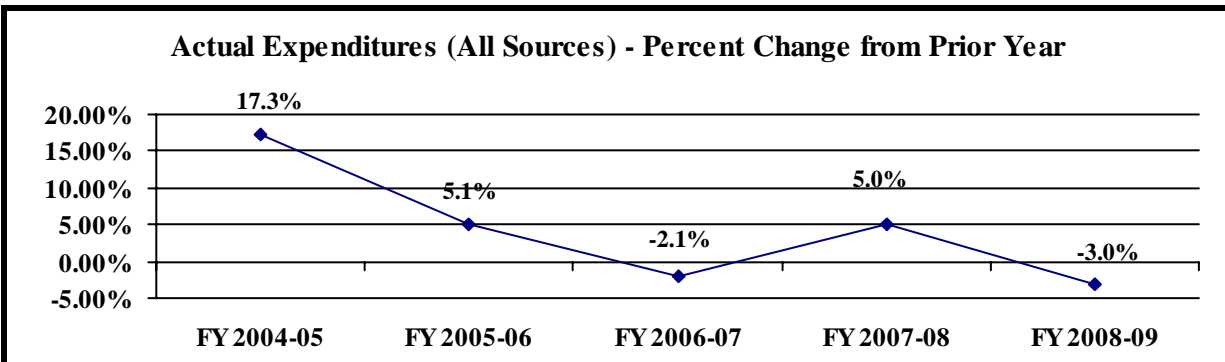
The Department of Cultural Resources oversees and supports arts, history, and culture within North Carolina. The agency’s largest divisions include the Museums of Art and History; the Arts Council, which provides grant funds to local arts organizations; the State Library; and Archives and History, which manages the State’s 27 historic sites. The Department is a major source of funding to local governments and local arts organizations, passing through over \$15.0 million in aid for public libraries and \$7.0 million in arts grants and direct appropriations.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	84,083,833	81,573,743	81,424,840	81,714,596
Revenue	8,077,704	8,332,230	8,466,406	8,464,606
Net Appropriations	\$76,006,129	\$73,241,513	\$72,958,434	\$73,249,990
Positions (FTE)	772.52	788.28	770.83	770.83

Budget Overview:

The Department’s budget is \$81.4 million in FY 2009-10 and \$81.7 million in FY 2010-11. The budget on average is .01% less than FY 2008-09 actual expenditures. The Department received \$500,000 in nonrecurring funds for the North Carolina Symphony in FY 2009-10, but also received recurring reductions of \$5.5 million in FY 2009-10 and \$6.1 million in FY 2010-11. Approximately 89.6% of the budget is derived from net General Fund appropriations. The remainder of the budget, 10.4%, is funded with receipts from admission fees or sale of materials. The largest revenue source is a federal grant (\$4.7 million budgeted each year) distributed to counties through the State Aid to Public Libraries Program.

Over the last five years, the average percentage change in actual expenditures was 4.5% annually. The budget grew 17.3% in FY 2004-05 due to nonrecurring appropriations that totaled \$12.6 million, including a \$9.2 million reserve for operating funds for the Exploris Museum in Raleigh and for planning funds for the Marine Corps Museum of the Carolinas. This represents the most extensive growth during the five-year period.



Department of Cultural Resources

Budget Tables

The following table provides a breakdown of the total General Fund operating budget for the Department of Cultural Resources by program area.

Department of Cultural Resources (14800 -General Fund)

	Certified FY 2009-10	Certified FY 2010-11
Central Administration		
Secretary's Office/Western Office	2,600,774	2,517,534
Administrative Services	2,446,821	2,431,321
Arts		
Statewide Programs and Grants	22,220,891	22,114,760
Arts Council	9,456,802	9,429,245
NC Symphony	2,803,090	2,303,090
Museum of Art	6,049,953	6,022,853
History		
Archives and History/Records	5,005,904	4,969,024
Historic Publications and Historic Preservation	2,606,202	2,599,202
History Museums	8,203,143	8,126,147
State Historic Sites	12,231,933	12,068,700
State Archeology	1,104,044	1,102,033
Other		
Library Services	5,048,821	5,031,144
Reserves	1,646,462	2,999,543
TOTAL	\$81,424,840	\$81,714,596
Revenue	(8,466,406)	(8,464,606)
NET GENERAL FUND APPROPRIATIONS	\$72,958,434	\$73,249,990

Department of Cultural Resources

The following table provides a breakdown of the funds* administered by the Department of Cultural Resources, including the General Fund budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Cultural Resources (14800 - General Fund)	81,424,840	81,714,596
DCR Special (24800 - Special Revenue Fund)	513,152	513,152
DCR Art Museum (24801 - Special Revenue Fund)	10,000	10,000
DCR Special (24803 - Special Revenue Fund)	331	331
DCR Hist. Pres. Tax Credit Fee (24805 - Special GF)	85,596	85,596
DCR Enterprise (54800 - Enterprise Fund)	94,111	94,111
DCR Battleship Commission (54801 - Operations)	1,165,302	1,165,302
TOTAL	\$83,293,332	\$83,583,088

Note:

*Total Appropriations by Fund as presented reflects only those funds as certified by the Office of State Budget and Management.

Other Funds

**Cultural Resources Special Revenue (24800) Balance: \$368,295
(as of June 30, 2009)**

This Fund contains several budgets for the following: Outer Banks Island Farm; Insurance Recoveries; Gift Shop – Maritime Museum; Courses Workshop – Maritime Museum; Gift Shop – Southport; Gates Training Grant; Gates Sustainability Grant; GEOMAPP CGIA Grant; Historic Publications Printing; QAR Lab – Maritime History Council Grant; Archives & History Golden Leaf Foundation Grant; Historic Preservation National Park Service & Golden Leaf Grant; Golden Leaf Foundation Grant; PNC TEA-21 (Transportation Enhancement Act) Project; William R. Davies Donations; Special Fund Museum of Art; and the Executive Mansion Fine Arts Committee.

Additionally, this Fund contains insurance proceeds, federal funding, grant funding, private donations, and other receipts generated by the Department. This Fund does not contain General Fund appropriations.

**Cultural Resources Art Museum (24801) Balance: \$69,653
(as of June 30, 2009)**

This Fund is the Museum of Art’s deaccession fund. As an accredited museum, the Museum follows established standards for museum operations. Using the proceeds of artifact sales to purchase other works of art which in turn become part of the Museum’s permanent collection is an established requirement of the accrediting organization for museums: The Code of Ethics for Museums issued by American Association of Museums (AAM) in 2000 notes that a museum

Department of Cultural Resources

must ensure that “Disposal of collections through sale, trade, or research activities is solely for the advancement of the museum's mission. Proceeds from the sale of non-living collections are to be used consistent with the established standards of the museum's discipline, but in no event shall they be used for anything other than acquisition or direct care of the collections.”

Cultural Resources Special Revenue (24803)

Balance: \$6,706
(as of June 30, 2009)

This is an interest-bearing, special fund that contains grant funding provided by the Lila Wallace – Reader’s Digest Fund, awarded to the NC Arts Council. Details of the Fund’s uses can be found in the “Select Programs and Other Budgetary Information” section.

Cultural Resources Enterprise Fund (54800)

Balance: \$19,324
(as of June 29, 2009)

The Cultural Resources Enterprise Fund serves as the collection point for the sales desks at five of the 27 State historic sites: Bentonville Battlefield, Reed Gold Mine, Historic Halifax, James K. Polk Memorial, and Vance Birthplace. Revenues generated at the remaining 22 historic sites are kept by the non-profit group that is established to support the specific site. Gift shops or sales desks at each site sell material related to their mission. Revenues from these sales are deposited into the Enterprise Fund and may be used to purchase materials, enhance exhibits, and present programs at any of the historic sites.

Actual receipts were \$87,451 and actual expenditures were \$76,355 in FY 2008-09. The FY 2009-10 and FY 2010-11 certified budgets reflect anticipated receipts of \$94,111.

Significant Legislative Budget Actions

North Carolina Symphony

In the 2009 Session the General Assembly appropriated \$500,000 nonrecurring to the North Carolina Symphony. Additionally, \$1.5 million was appropriated in the Office of State Budget and Management – Special Appropriations’ budget for the Symphony to leverage match to support the operation in FY 2009-10. See Annotated Conference Report, General Government section, items 41 and 86. **(S.L. 2009-451, Sec. 22.2.)**

Grassroots Arts/Basic Grants Program/Aid to Public Libraries

Information about budgetary actions related to these programs for the 2009-11 Biennium may be found in the “Select Programs and Other Budgetary Information” section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Department of Cultural Resources

Select Programs and Other Budgetary Information

State Historic Sites (including Tryon Palace Historic Sites and Gardens and Battleship USS North Carolina)

The Department's Historic Sites, acquired by the State over a period of 50 years, encompass 27 sites in 23 counties. Conservation of the State's natural resources, including historic sites, is designated in Article XIV, Section 5 of the North Carolina Constitution. Additionally, G.S. 121-8; G.S. 121-9; G.S. 121-10, G.S. 121-12; 143B-71, 72, 73, and 74; and G.S. 143B-131.1-9 assign authority and responsibility to preserve, develop, operate, interpret, and maintain a system of sites and properties of statewide historical significance to the Department of Cultural Resources. A final reference, Department of the Navy Contract NObs-4478 (August 28, 1961), authorized the transferred of the Battleship USS North Carolina to the State.

The following is a snapshot of Historic Sites;

- Three separate commissions administer the Battleship USS North Carolina, Roanoke Island, and Tryon Palace.
- Seven of the State's historic sites are designated as National Historic Landmarks.
- Operations of the historic sites are managed in four separate Funds
- 24 sites have a budget slightly more than \$8.5 million for the 2009-11 Biennium (the budget was reduced on average \$467,000 each year)
- Tryon Palace Historic Sites and Gardens budget is \$2.7 million in FY 2009-10 and \$2.6 in FY 2010-11 (reduced on average \$166,500 each year)
- North Carolina History Education Center at Tryon Palace is funded at \$852,675 in FY 2009-10 and \$1.7 million in FY 2010-11; with a total construction cost of \$52 million, the Center will be completed in May 2010 and is expected to open on June 1.
- Battleship USS North Carolina FY 2009-11 budget is \$1.2 million each year (totally receipt-supported)
- 23 projects affecting Tryon Palace Historic Sites and Gardens and 15 other historic sites have been identified on the Department's 2009-2015 Capital Improvement Plan with a cost of \$18.3 million.

The Roanoke Island Commission's (RIC) budget is presented in a separate section in this document.

North Carolina Arts Council - Basic Grants and Grassroots Arts Programs

The NC Arts Council operates two large grant programs, the Basic Arts Grants Program and the Grassroots Arts Program. The Basic Arts Grants Program allocates money on a discretionary basis to arts organizations across the State that submit applications for specific projects. The 2009-11 biennial Basic Grant Program appropriation is \$3,873,320, \$175,000 less than FY 2008-09.

The Grassroots Arts Program is established in G.S. 143B-121. The program distributes grants primarily through local arts councils in all 100 counties. This method allocates 20 percent of the funding among counties on an equal-share basis and allocates the remaining 80

Department of Cultural Resources

percent on a per-capita basis. For each year of the 2009-11 Biennium, the program has an appropriation of \$2,710,245, \$500,000 less than FY 2008-09.

North Carolina Museum of Art

In 1924, the Fine Arts Society was formed to create an art collection and museum for the State. In 1947 Greenville native Robert Lee Humber obtained a commitment from Samuel L. Kress, the national five-and-dime magnate, to contribute \$1 million toward the establishment of a State art museum. The stipulation was that the gift would be matched, and with the support of Representative John H. Kerr, Jr., the General Assembly narrowly passed an initial appropriation on April 5, 1947 for the first public collection of art in the United States. Approximately eight years later, William R. Valentiner became the first director, and on April 6, 1956, the NC Museum of Art opened.

The General Assembly passed G.S. 140-5.12-5.14 in 1961 establishing the functions of the Museum of Art. The Museum moved to the current location on Blue Ridge Road in April 1983, and the debut the Museum Park, an interactive sculpture garden, in April 1996. The Museum has acquired a collection currently valued at \$1 billion dollars for insurance purposes.

In addition to the permanent collection, the Museum has hosted 42 exhibitions between FY 2000 and FY 2009. With the exception of three exhibitions, all have been sponsored with private funds. Of the three State-supported exhibitions, one received full funding, and the remaining two received partial funding. The following offers a sampling of the 42 exhibitions:

- Rodin: Sculpture from the Iris and B. Gerald Cantor Collection and Additional Works (4/16-8/13/00);
- Designing in Raffia: Kuba Embroideries from the Democratic Republic of the Congo (11/1/00-1/7/01);
- Color, Myth, and Music: Stanton MacDonald-Wright and Synchronism (3/4-7/1/01);
- Toulouse-Lautrec: Master of the Moulin Rouge (11/11/01-2/17/02);
- Empire of the Sultans: Ottoman Art from the Khalili Collection (5/19-7/28/02);
- Accent on Africa: Recent Acquisitions of African Art (4/6-8/10/03);
- Matisse, Picasso, and the School of Paris: Masterpieces from the Baltimore Museum of Art Featuring Selections from the Collection of Etta and Claribel Cone (10/10/04-1/9/05);
- Fusion: Contemporary Art Glass from North Carolina Collection (5/8-8/7/05);
- Crosscurrents: Art, Craft and Design in North Carolina – NCAE (8/25/05-1/8/06);
- Contemporary North Carolina Photography from the Museum's Collection (9/3-11/5/06);
- Monet in Normandy (10/15/06-1/14/07); and
- Temples & Tombs: Treasurers of Egyptian Art from the British Museum (4/15-7/8/07).

The Museum of Art will open a new 127,000 square foot gallery in April 2010, providing space for education and public programs. A total of \$57.3 million in State funds and \$15 million from the City of Raleigh and Wake County have been committed for construction.

Department of Cultural Resources

The Museum's FY 2009-11 budget is approximately \$5.5 million, \$310,425 less than FY 2008-09. During the 2009 Session, the General Assembly maintained funding for the opening of the new gallery by placing in reserve \$603,809 in FY 2009-10 and \$1.1 million in FY 2010-11. The Museum's budget has varied in recent years, primarily due to revenue from partnerships and contributions to support projects, hosting of special exhibits, and limited increases in non-recurring appropriations. (See Annotated Conference Report, General Government section, item 39.)

Aid to Public Libraries

The General Assembly's support of public libraries began in 1941 with a \$100,000 appropriation. The General Assembly created the Aid to Public Libraries Fund in 1955. The intent of the Fund is to improve, increase, and equalize public library service. Federal funding is available under the authority of 20 USC 72, which mandates the expansion of informational and educational resources, particularly to those who are underserved. The General Assembly also supports library services statewide through State Aid to Libraries. The State's mandate for library services is stipulated in G.S. 152-7 and G.S. 125-8. Specifically, G.S. 125-7 directs the Department of Cultural Resources to allocate funds to enhance and equalize services while considering "local needs, area and population to be served, local interest, and any other factors deemed appropriate." The State Library distributes State Aid in accordance with a formula that was developed and is reviewed periodically by the NC Public Library Directors' Association (Association). The formula was developed in the 1980s and provides that: 1) half of the State funding is allocated in block grants and half in weighted per capita equalization; 2) Maintenance of effort (MOE) is required, as local funding must equal or exceed average of the previous three years; and 3) State funding cannot exceed 50 percent of library's total funding. The formula was re-approved by that Association in December, 2005.

Funds are distributed to the 77 regional, county, and municipal library systems, serving 100 counties. The FY 2009-11 budget for State Aid is \$15,535,825, unchanged from FY 2008-09. Of these funds, 98.5 percent will be distributed to the 77 library systems. The Department will use the remaining 1.5 percent to administer the Fund, although G.S. 125-7(d) allows a maximum of 7 percent for administrative overhead.

North Carolina Museum of History and North Carolina Maritime Museums

The State's History Museum Division manages four museums including:

- The NC Museum of History (Raleigh)
- Mountain Gateway Museum
- Heritage Center (Old Fort)
- Museum of the Cape Fear Historical Complex (Fayetteville)
- Museum of the Albemarle (Elizabeth City).

Additionally, two Maritime Museums in Beaufort and Southport and the Graveyard of the Atlantic Museum on Hatteras Island collect and preserve artifacts and other historical materials related to the history and heritage of coastal North Carolina as governed under G.S. 121-7.

Department of Cultural Resources

Efforts to preserve North Carolina's past began in the late 1880s with an editorial campaign undertaken by Raleigh News and Observer (N&O) publisher, Samuel A'Court Ashe. The following provides a chronology of the North Carolina Museum of History:

- State Museum (now called the NC Museum of Natural Sciences) created a gallery of history;
- Campaign was followed by Frederick Augustus Olds, N&O city editor, traveling across the State to collect items from the State's past;
- December 1902, Olds' historical materials and the State Museum's historical items were combined to create the Hall of History, with 37 cases of artifacts;
- 1914, administration assumed by the NC Historical Commission and relocation to the State Administration Building (now known as the Ruffin Building);
- 1939, the Hall of History moved to the newly constructed Education Building with emphasis on exhibits, artifacts, and educational programs;
- July 1965, the Hall of History became the NC History Museum, and a division within the Department of Archives and History (now a division within the Department of Cultural Resources);
- August 1968, Museum moved to the Archives and History/State Library Building with galleries completed in late 1973;
- 1974, first administrator employed; and
- 1975, NC Museum of History Associates established.

Ground breaking for the current location occurred in June 1988 and was completed in August 1992 at a cost of \$29 million. In 1996 the NC Museum of History became the sixth division the Department of Cultural Resources.

The North Carolina Maritime Museum system includes the site at Beaufort that was transferred from the Department of Agriculture in the 1997 Session, the Museum at Southport and the Graveyard of the Atlantic Museum that was transferred in the 2007 Session. The museums provide collections, exhibits, boats, and reference material on marine topics. The museum system has the designation of repository for the storage and exhibition of underwater archaeology artifacts recovered from Blackbeard's flag ship Queen Anne's Revenge.

Operations of the museums are managed in two separate Funds. The seven museums under the Museum of History have a budget on average of slightly more than \$6.8 million each year of the 2009-11 Biennium, as the budget was reduced on average \$370,000 each year. The Maritime Museum Division manages the operations of the two Maritime Museums and the Graveyard of the Atlantic Museum. For each year of the 2009-11 Biennium the budget is \$1.2 million, as the division's budget was reduced \$87,235 each year. See Annotated Conference Report, General Government section, items 35 and 44.

The following chart provides actual expenditure history over a 7-year period for selected division and program operations.

Department of Cultural Resources

Expenditures

State Historic Sites, NC Arts Council Programs, Aid to Public Libraries, Art Museum, and History Museums

Fiscal Year	State Historic Sites*	Grassroots Arts	Basic Grants	State Aid to Libraries	Art Museum	History Museums
2008-09	11,090,139	2,695,355	3,562,616	14,258,379	5,536,602	6,768,484
2007-08	11,458,206	2,467,226	3,720,218	15,344,497	5,055,448	7,192,010
2006-07	10,689,264	2,437,663	3,424,982	16,357,164	5,026,350	6,704,292
2005-06	10,171,801	2,442,485	2,748,833	15,618,250	4,596,172	6,883,713
2004-05	8,316,251	1,159,500	2,519,000	14,776,010	4,612,857	6,362,122
2003-04	7,664,301	1,159,500	2,455,605	14,480,490	3,554,066	4,912,005
2002-03	7,594,181	1,130,204	2,402,874	14,443,245	3,733,435	4,765,216

Source: Department of Cultural Resources (Budget Code 14800)

* Includes Tryon Palace Historic Sites and Gardens: 2002-03, \$1,395,761; 2003-04, \$1,428,837; 2004-05, \$2,106,931; 2005-06, \$2,139,333; 2006-07, \$2,494,463; 2007-08, \$2,554,708; 2008-09, \$2,660,584.

Note: During the same seven year period the State Historic Sites, Tryon Place, Museum of Art and History Museums realized receipts for various programs: State Historic Sites, \$1,615,447; Tryon Palace Historic Sites and Gardens, \$3,732,240; Museum of Art, \$2,750,210; and History Museums, \$1,884,230.

American Recovery and Reinvestment Act (ARRA) Funding

The American Recovery and Reinvestment Act (ARRA) included \$50 million to be distributed in direct grants to fund arts projects and activities aimed at preserving jobs in the nonprofit arts sector threatened by declines in philanthropic and other support during the current economic downturn. In accordance with ARRA, forty percent of the funds were distributed to State arts agencies and regional arts organizations and 60 percent to be competitively awarded to nonprofit organizations. The National Endowment for the Arts (NEA) plan was adopted to expedite distribution of funds at national, regional, state, and local levels for projects that focus on preservation of jobs in the arts.

Funding was available in the form of competitive grants and as grants to state and regional arts organizations. The Department of Cultural Resources, North Carolina Arts Council Division is a recipient of ARRA funding through NEA. The North Carolina Arts Council was awarded \$290,000 in September 2009 to provide grants-in-aid to 18 non-profit organizations in the areas of art, dance, music, drama, history, and art education. An additional \$50,000 is being requested to establish a receipt-supported position for a grand total of \$340,000 in ARRA funding. Additionally, the Department of Cultural Resources has received ARRA funding through the North Carolina Department of Transportation to repair the Roanoke River Lighthouse.

Department of Cultural Resources

Additional Legislation

No relevant information to report.

Cultural Resources-Roanoke Island Commission

G. S. 143-199 Establishment and Purpose

Agency Description:

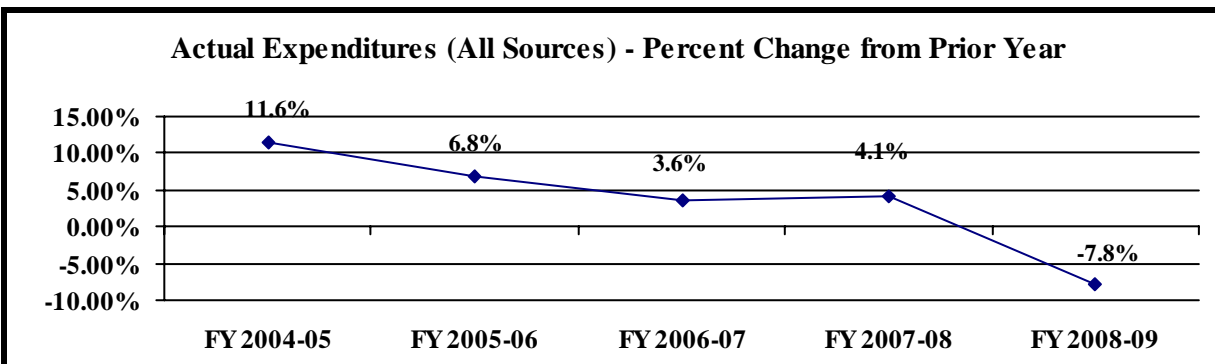
The Roanoke Island Commission (RIC) manages the historical and cultural assets of Roanoke Island. The Commission oversees Roanoke Island Festival Park, which commemorates the Roanoke voyages that occurred from 1584 to 1587 and subsequent Outer Banks history. The Festival Park includes a replica of the Elizabeth II sailing vessel. The Commission is budgeted under the Department of Cultural Resources, but operates independently.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	2,108,824	1,944,643	1,990,632	1,990,632
Revenue	0	0	0	0
Net Appropriations	\$2,108,824	\$1,944,643	\$1,990,632	\$1,990,632
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

RIC will operate with a budget of \$1,990,632 in FY 2009-10 and FY 2010-11, an increase of 2.4% over FY 2008-09 actual expenditures. This budget does not include the revenues generated on site. Net General Fund appropriations are transferred to a special fund to support the site’s staffing and operating costs.

Over the last five years, General Fund appropriations have increased on average 3.7% annually. The FY 2007-08 budget included minor reductions to the RIC operating budget, and in FY 2008-09 spending was reduced as mandated by the Governor. Other than salary increases, the General Assembly has not authorized a direct increase in the appropriation to the RIC in the last five years. RIC received an additional \$25,000 from the 2007 Energy Efficiency Reserve to repair and update its HVAC system.



Cultural Resources-Roanoke Island Commission

Budget Tables

The General Fund budget for the Roanoke Island Commission (RIC) is administratively housed in the Department of Cultural Resources. Since this budget functions merely as a pass through to a special fund, the table below reflects both the original General Fund appropriation as well as the recipient special fund, Budget 24802. The special fund serves as RIC's main operating budget.

	Certified FY 2009-10	Certified FY 2010-11
Roanoke Island Commission (14802-General Fund)	1,990,632	1,990,632
Roanoke Island (24802-Special Revenue Fund)*	2,142,714	2,142,714

Note:

*Revenues generated from admission fees are not included.

Other Funds

Roanoke Island Commission Fund (24802-2584) **Balance: \$427,265**
(as of June 29, 2009)

Roanoke Island Endowment Fund (24802-2585) **Balance: \$2,256,662**
(as of June 29, 2009)

The Roanoke Island Commission Fund contains an operating account (Fund 2584) and an endowment account (fund 2585). These accounts are established by G.S. 143B-131.8, which directs that 75 percent of admission fees be deposited in the operating account while the remaining revenues are credited to the endowment account. Both accounts are administered by the Roanoke Island Commission (RIC). All expenditures for the Roanoke Island Commission are made from the Fund.

The following table contains a history of expenditures and revenues from the Fund since FY 2002-03. In FY 2008-09, the operating budget had total expenditures of \$1.98 million and total revenues of \$2.22 million

Cultural Resources-Roanoke Island Commission

Roanoke Island Commission Fund (24802-2584), Budget History

Fiscal Year	Beginning Fund Balance	Transfer from General Fund	Other Revenues*	Expenditures	Ending Fund Balance
2002-03	4663	1,633,393	256,062	1,749,586	144,532
2003-04	144,532	1,632,293	341,199	2,113,540	4,483
2004-05	4,483	1,816,577	216,805	2,019,500	18,366
2005-06	18,366	1,954,666	231,608	2,183,201	21,438
2006-07	21,438	2,025,159	250,115	2,159,434	137,278
2007-08	137,278	2,113,509	258,503	2,270,451	238,838
2008-09	238,838	1,994,643	225,340	1,981,556	427,265

Source: Department of Cultural Resources

* Other Revenues consist mainly of the admission fees collected, including interest earnings, sale of surplus property, and other miscellaneous revenue.

The following table provides fund balances for the Commission’s endowment fund for the last seven fiscal years.

**RIC Endowment Fund Balance (24802-2585)
(as of June 30)**

Fiscal Year	Fund Balance
FY 2002-03	1,347,467
FY 2003-04	1,427,210
FY 2004-05	1,549,349
FY 2005-06	1,692,895
FY 2006-07	1,871,064
FY 2007-08	2,083,130
FY 2008-09	2,256,662

Source: Department of Cultural Resources

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Cultural Resources-Roanoke Island Commission

Select Programs and Other Budgetary Information

Friends of Elizabeth II, Inc.

The majority of State historic sites receive support from non-profits, often named “Friends” of the site. The Friends of Elizabeth II, Inc. supports the Roanoke Island Festival Park. Typically, State appropriations pay for a historic site’s operating costs including salaries; Friends provide programmatic support.

Most Friends for historic sites receive funds generated on-site from gift shop revenues and donations. Friends of Elizabeth II, Inc. receives revenue generated by gift shops at RIC Festival Park, events held after operating hours, and from membership dues. In addition, the Friends group receives a commission on sales from an art gallery located in the Park. Members of the Friends do not pay separate admission fees to the Roanoke Island Festival Park.

G.S. 143B-131.2(b)(10) authorizes the Roanoke Island Commission (RIC) to transfer funds controlled by RIC to the Friends of Elizabeth II, Inc. Historically funds have been transferred from RIC’s operating account to the Friends of Elizabeth II, Inc., however no funds were transferred in June 2009. The chart below shows transfers of General Fund appropriations to the Friends of Elizabeth II over the last six years.

Special Fund 24802 Transfers to Friends of Elizabeth II, Inc.

Fiscal Year	Amount	Account
2008-09	0	N/A
2007-08	292,322	Operating
2006-07	238,918	Operating
2005-06	416,000	Operating
2004-05	500,543	Operating
2003-04	520,234	Operating
2003-04	132,531	Operating
2003-04	52,059	Endowment

As of December 31, 2008, the Friends of Elizabeth II, Inc.’s investment and cash availability was \$6 million. Additionally, Friends' assets total \$1.3 million, including museum store inventory, building and land holdings, furniture and equipment.

Additional Legislation

No relevant information to report.

General Assembly

NC Constitution, Article II Establishment, Powers and Duties

Agency Description:

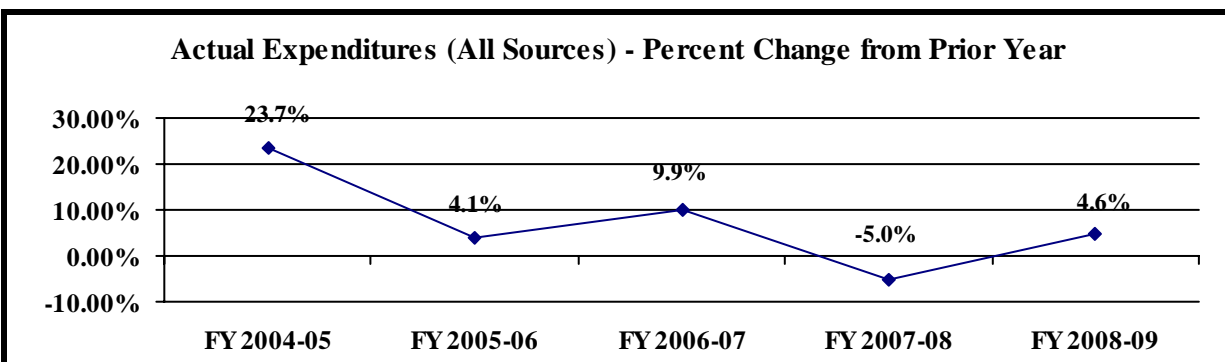
The North Carolina General Assembly consists of the Senate, which has 50 members, and the House of Representatives, which has of 120 members. The General Assembly meets in regular session beginning in January of each odd-numbered year, and adjourns to reconvene the following even-numbered year for a shorter session. Public and local laws governing the State are enacted during legislative sessions; however, legislative committees and commissions frequently meet in other months to conduct studies or develop policies for consideration by the entire body during a formal session. The institution requires support from six operating divisions providing bill drafting, program evaluation, fiscal analysis, general research and library services, and administration.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	60,197,477	62,984,493	55,657,641	57,844,584
Revenue	13,808,680	12,015,152	1,178,633	1,260,100
Net Appropriations	\$46,388,797	\$50,969,340	\$54,479,008	\$56,584,484
Positions (FTE)	353.00	353.00	332.00	332.00

Budget Overview:

The General Assembly’s budget is \$55.7 million in FY 2009-10 and \$57.8 million in FY 2010-11, which are on average 9.9% less than FY 2008-09 actual expenditures. Approximately 2% of the budget is generated by receipts derived from the food-service operations in the Legislative Cafeteria and two snack bars. The balance is from net General Fund appropriations. Receipts in prior years include reversions that are not budgeted in the Certified Budget. Approximately half of the budget is used for direct operation of the two houses of the General Assembly, while the remaining funds support the operating divisions.

Over the last five years, actual expenditures have increased on average 7.5% due to the addition of the Program Evaluation Division. The reductions in FY 2007-08 and FY 2008-09 were the result of line-item reductions to reserves, budgeting for fewer weeks that the General Assembly is in session, temporary-employee salaries, and reductions in spending imposed by the Governor. It costs \$250,000 per week to pay for the operations of the General Assembly when it is in session.



General Assembly

Budget Tables

The following table provides a breakdown of the General Assembly's total General Fund operating budget.

General Assembly (11000 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
Senate	9,803,434	10,873,757
House of Representatives	15,696,111	17,874,956
Operating Divisions:		
Administration	4,946,691	4,651,211
Building Maintenance	2,255,929	2,228,655
Food Service	1,736,572	1,722,533
Information Systems	5,644,020	5,598,893
Substantive Divisions:		
Bill Drafting	2,833,716	3,045,878
Research	4,858,658	4,855,529
Fiscal Research	4,527,877	4,399,697
Program Evaluation	1,650,204	1,602,962
Other:		
Legislative Research Commission	275,147	25,203
Institute of Government	125,779	149,055
Committees and Other Reserves	1,303,503	816,255
TOTAL	\$55,657,641	\$57,844,584
Revenue	(1,178,633)	(1,260,100)
NET GENERAL FUND APPROPRIATIONS	\$54,479,008	\$56,584,484

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

General Assembly

Select Programs and Other Budgetary Information

General Assembly Reserve

G.S. 143C-1-2 (b) dictates that unexpended appropriations to the General Assembly shall not revert at the end of the fiscal year unless otherwise provided by the Legislative Services Commission. Unexpended appropriations of the General Assembly were \$13,834,305 at the end of FY 2008-09. However, as part of the Governor's efforts to cover the State's FY 2008-09 revenue shortfall, \$6.9 million was reverted from the GA's budget. The balance, \$6.9 million, was re-appropriated as part of the GA's Reserve for FY 2009-10.

Additional Legislation

S.L. 2009-78 (HB 1621) PENDER/NEW HANOVER HOUSE DISTRICTS

This act realigns the North Carolina House of Representatives districts in Pender and New Hanover Counties in order to comply with the order of the United State Supreme Court in *Bartlett v. Strickland*. G.S. 120-2 is amended to redraw House districts 16 and 18 and provide that District 16 is to consist of New Hanover County in inclusive of Harnett precincts 2, 5, 6, 7, 8, and 9; and Pender County. District 18 is to consist of the following New Hanover County precincts: Cape Fear 1, 2, and 3; Harnett 1 and 4; Wilmington 1, 2, 3, 6, 7, 8, 9, 10, 12, 13, 15, 18, 22, 23 and 24. This change is applicable to elections occurring on or after January 1, 2010.

S.L. 2009-129 (HB 1171) LAW STUDENT EXTERNS AT THE GENERAL ASSEMBLY

This act expands the definition of "legislative employee" approved by the Legislative Services Commission to include a student attending an accredited law school while in an externship at the General Assembly. As a legislative employee, a violation of the law would be grounds for referral to the academic institution for appropriate discipline in the case of law student externs.

S.L. 2009-306 (SB 835) EXTEND CLIMATE CHANGE COMMISSION

The Legislative Commission on Global Climate Change was established by S.L. 2005-442 to conduct an in-depth examination of issues related to global climate change. The Commission has met regularly since its inception in pursuit of its legislative end but needs additional time to carry out its mandate. This legislation allows the Commission to submit interim reports at its discretion and requires the Commission to submit a final report, including any findings and recommendations, to the General Assembly and the Environmental Review Commission on or before October 1, 2010, at which time the Commission shall terminate.

S.L. 2009-339 (SB 1069) AN ACT TO ESTABLISH THE JOINT LEGISLATIVE JOINING OUR BUSINESSES AND SCHOOLS (JOBS) STUDY COMMISSION

This act establishes the Joint Legislative JOBS (Joining Our Businesses and Schools) Study Commission (Commission), a 20-member commission to study issues related to economic development through public schools - focusing on instructional programs and academic standards needed to help students be successful as they transition to postsecondary education and future careers. Additionally, the act establishes the JOBS Commission Fund special fund, to receive

General Assembly

grant funds to be used to offset the Commission's operating costs. The Fund will be administered by the Legislative Services Commission of the GA.

Office of the Governor

NC Constitution, Art. III Executive; G.S. 147-12 Powers and duties of Governor

Agency Description:

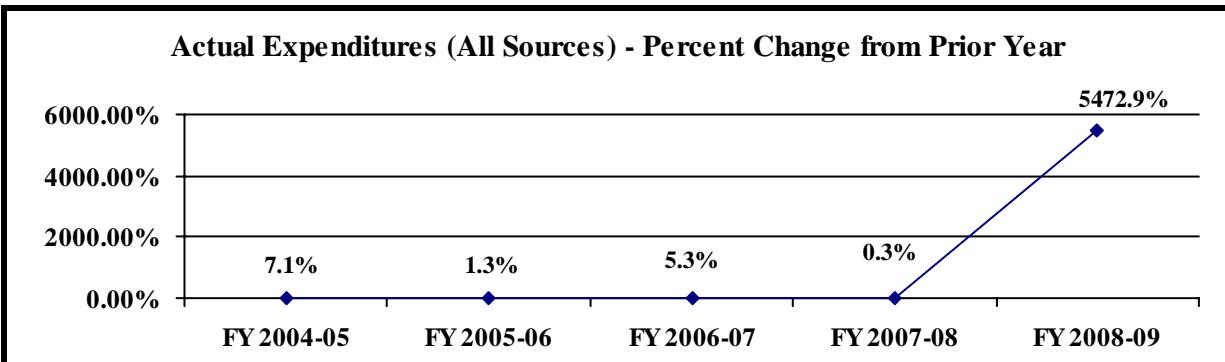
The Governor serves as the Chief Executive Officer and the Director of the State Budget. The Office of the Governor formulates and administers the policies of the executive branch of State government, manages a comprehensive budget for all State agencies, and executes the laws of the State of North Carolina.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	6,297,276	350,938,138	6,582,552	6,499,982
Revenue	456,594	344,704,767	432,243	432,243
Net Appropriations	\$5,840,682	\$6,233,371	\$6,150,309	\$6,067,739
Positions (FTE)	63.70	63.71	63.71	63.71

Budget Overview:

The budget for the Office of the Governor is \$6.6 million in FY 2009-10 and \$6.5 million in FY 2010-11. FY 2008-09 actual expenditures reflect one-time funding of \$344 million from the American Recovery and Reinvestment Act (ARRA), that has the effect of skewing the percentage of change in actual expenditures. However, excluding the one-time funding, the more accurate average (\$6.5 million) of the budgets is 1.9% less than the FY 2008-09 actual expenditures of \$6.7 million. As in prior fiscal years, approximately 93% of the budget is derived from net General Fund appropriations. The remainder of the budget is funded from transfers from other State agencies and other receipts.

Over the last five years, actual expenditures, excluding the one-time funding in FY 2008-09, increased on average 3.2%. In FY 2004-05, the Governor authorized the creation of the Center for 21st Century Skills within the Governor’s Office. The Center’s budget for FY 2005-06 was \$243,831. In FY 2006-07 there was an appropriation of \$100,000 in recurring funds for operating expenses, but the budget experienced a \$200,000 reduction in FY 2007-08 with the elimination of the Communities in Schools pass through funding. The increase in FY 2008-09 was due to stimulus funding that was used for agencies, community colleges, and universities’ May and June payrolls. Without stimulus funding revenue in the budget would have been about \$400,000, as customary.



Office of the Governor

Budget Tables

The following table provides a breakdown of the Office of the Governor's total General Fund operating budget by program.

Office of the Governor (13000 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	3,908,619	3,854,021
Dues to National Organizations	364,289	338,656
Intergovernmental Relations	488,369	488,450
Citizens' Affairs	384,404	384,984
Education	559,318	559,318
21 st Century Skills	184,206	184,206
Raleigh Executive Residence	677,888	674,888
Western Executive Residence	15,459	15,459
TOTAL	\$6,582,552	\$6,499,982
Revenue	(432,243)	(432,243)
NET GENERAL FUND APPROPRIATIONS	\$6,150,309	\$6,067,739

The following table provides a breakdown of the funds* administered by the Office of the Governor, including the General Fund budget.

Total Appropriation by Fund	Certified FY 2009-10	Certified FY 2010-11
Governor (13000 - General Fund)	6,582,552	6,499,982
Governor Special (23000 - Special Revenue Fund)	2,662,386	2,662,386
Governor Interest Earning Special (23001 - Special Revenue Fund)	580,281	580,281
Information Technology Services ITS (24467 - Special Revenue Fund)	11,334,718	9,067,467
ITS Wireless Fund (24669 - Special Revenue Fund)	98,455,763	98,455,763
TOTAL	\$119,615,700	\$117,265,879

Note:

*Total Appropriations by Fund as presented reflects only those funds as certified by the Office of State Budget and Management.

Office of the Governor

Other Funds

Information Technology Services (ITS)

Information on ITS funds is included in the "Information Technology" Section of this publication.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Office of Economic Recovery & Investment (OERI)

North Carolina's Office of Economic Recovery & Investment (OERI) was established after the passage of the federal American Recovery and Reinvestment Act (ARRA) in February 2009. The office is considered temporary in that its mission is to coordinate and monitor the State's use of the estimated \$6.1 billion in non-recurring ARRA funding. (For additional information on ARRA, see the Special Topics section).

OERI was originally established as part of the Office of the Governor's operating budget. However, at the end of FY 2008-09 the budget was moved to the Office of State Budget and Management (OSBM). OERI has a projected budget of \$2.7 million for FY 2009-10 and \$2.5 million for FY 2010-11, and a staff consisting of eighteen positions: ten full time and eight temporary to provide legal counsel, compliance, and guidance in the areas of budgeting, education, health and human services, and procurement. Federal ARRA funding will support OERI operations. The General Assembly authorized OERI to use up to \$1 million from the ARRA administrative allowance in FY 2009-10 for operating expenses. (**S.L. 2009-451, Sec. 6.6C (e)**).

Additional Legislation

S.L. 2009-82 (HB 360) AUTHORIZE STATE BAR TO BORROW FUNDS

This act amends G.S. 84-17 to allow the Council of the North Carolina State Bar to borrow money and lease real or personal property in the same manner as any private person or corporation, subject only to the approval of the Governor and the Council of State.

Office of the Governor

S.L. 2009-194 (HB 379) ALLOWS MUTUAL AID BETWEEN STATE AND LOCAL GOVERNMENT

This act amends the G.S. 166A-10 as follows: Section (a1) is amended to allow the Governor to establish mutual aid agreements with political subdivisions of the State with the concurrence of the subdivision's governing body; and section (c) is amended to require that these agreements are consistent with the State's emergency management program and plans.

S.L. 2009-475 (SB 960) ENSURE ACCOUNTABILITY RE: STIMULUS FUNDS

This act is directs the expedited use and expenditure of federal funds authorized under the American Recovery and Reinvestment Act of 2009 (ARRA) and provides the following: Requires that all contracts using ARRA funds shall be awarded using fixed-priced contracts and competitive practices;

1. Requires the Secretary of Administration, in coordination with the Office of Economic Recovery and Investment (OERI) to adopt rules, policies, and regulations regarding contracts using ARRA funds;
2. Establishes an expedited procedure for creating and amending rules implementing ARRA, including any federal rules, regulations, policies, guidance, or goals, and upholds the policy of the State to provide fair regulation, oversight, and transparency and to quickly and efficiently complete the awards of ARRA grants and contracts;
3. Provides that the expedited procedure established in subsection (3) is to be liberally construed to allow agencies maximum flexibility in implementing ARRA;
4. Provides that benchmarks set by the Secretary of Administration, University of North Carolina, and the State Board of Community Colleges are applicable to all contracts for goods, equipment, or services award by specified entities using ARRA funds;
5. Requires that each bid is submitted competitively and without collusion and is applied to all contacts for goods, equipment, or services awarded by specific entities using ARRA funds;
6. Allows the Secretary of Administration, in coordination with OERI, to approve the use of term contracts in limited circumstances where such contracts provide the best means to accomplish the goals of ARRA;
7. Prohibits a party from recovering attorneys' fees in certain civil actions regarding a claim, dispute, or protest relating to ARRA;
8. Adds that OERI and State agencies are exempt from the legislation's prohibition on the sale of merchandise or services by governmental units when implementing ARRA funded projects;
9. Allows funds not specified in ARRA to be expended upon approval of OERI and requires OERI to report any such authorizations to the Joint Legislative Commission on Governmental Operations at its next meeting;
10. Allows contracts or grants entered into for the use of funds from ARRA to include remedies sufficient to protect the State in the event that such funds are not used in a manner consistent with ARRA or state requirements, including withholding state revenues to local governments and monetary penalties for nonprofits or for-profit entities;
11. Allows the Department of Transportation (DOT) to let contracts over \$1.2 million for construction, maintenance, operations, or repair necessary to implement the legislation, and are subject to the rules and regulations made and published by DOT;
12. Renames the Energy Improvement Loan Program to the Energy Loan Fund;



Office of the Governor

13. Requires the Utilities Commission to develop, implement, and maintain a website for online tracking of renewable energy certificates by July 1, 2010, in order to verify the compliance of electric power suppliers with the Renewable Energy and Energy Efficiency Portfolio Standard (REPS) requirements to facilitate the establishment of a market for the purchase and sale of certificates;
14. Finds that it is in the public's interest to ensure expeditious awards of the ARRA funds with fair regulation, oversight, and transparency for the use of these funds; and
15. This law became effective February 17, 2009 but sections 1-8 will expire on June 30, 2012.

NC Housing Finance Agency

G. S. 122A Establishment and General Powers

Agency Description:

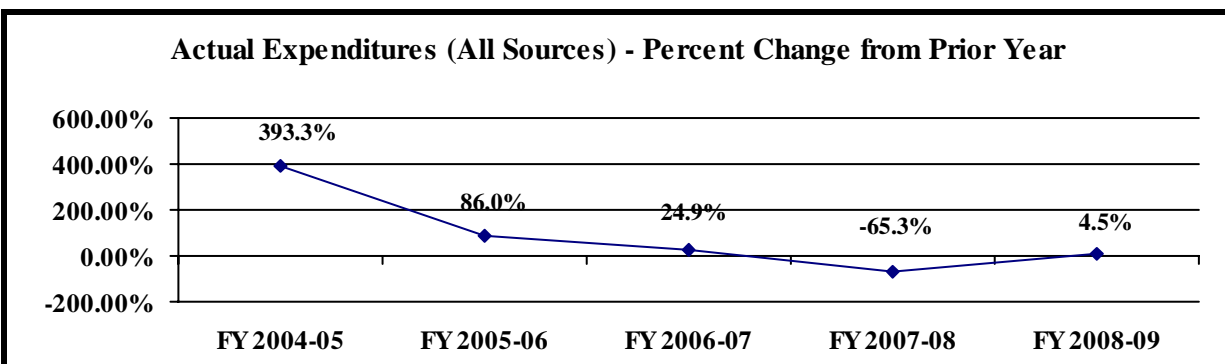
The Housing Finance Agency assists North Carolinians in achieving and maintaining home ownership. The agency provides resources to qualified applicants to purchase homes and provides incentives to builders to construct homes for lower-income homebuyers. State appropriations are used to fund programs, such as the Housing Trust Fund and the Home Protection Program, and are not used to fund staff or to operate the Housing Finance Agency.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	18,608,417	19,447,575	14,608,417	14,608,417
Revenue	0	0	0	0
Net Appropriations	\$18,608,417	\$19,447,575	\$14,608,417	\$14,608,417
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

The budget for the Housing Finance Agency (HFA) is \$14.6 million each year of the 2009-11 Biennium. The budget is 24.9% lower than FY 2008-09 actual expenditures.

Over the last five years, the change in actual expenditures has increased on average 36.2% annually. The fluctuations in funding are due to the reporting of the State Housing Tax Credit, and varying appropriations for HFA's housing programs. In 2002, the State Housing Tax Credit was changed from a straight tax credit that was a savings to the State. By fiscal years 2004-05, 2005-06 and 2006-07, tax credits were treated as revenue and disbursements as expenditures to HFA for accounting purposes. However, these funds were not appropriations, but the value of tax credits. The actual budget amounts were removed from this Budget Code effective FY 2007-08. Therefore, actual changes in appropriations between FY 2005-06 and FY 2008-09, included additional recurring and non-recurring funding to support the: Housing Trust Fund - \$17 million; Home Protection Program - \$5.7 million; and housing for people with disabilities, including the Apartment Housing Initiative - \$25.4 million. The Apartment Housing Initiative was a joint venture of HFA and the Department of Health and Human Services. Detailed information on the housing programs is included under "Select Programs and Other Budgetary Information."



NC Housing Finance Agency

Budget Tables

The following table provides a breakdown of the Housing Finance Agency's total General Fund operating budget by program.

Housing Finance Agency (13010 -General Fund)	Certified FY 2009-10	Certified FY 2010-11
Housing Trust Fund	10,000,000	10,000,000
Home Match Program	1,608,417	1,608,417
Home Protection Pilot	3,000,000	3,000,000
TOTAL	\$14,608,417	\$14,608,417
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$14,608,417	\$14,608,417

The following table provides a breakdown of the funds* administered by the Housing Finance Agency, including the General Fund budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Housing Finance Agency (13010 - General Fund)	14,608,417	14,608,417
HFA Special (23010 - Special Revenue Fund)	26,270,752	26,270,752
TOTAL	\$40,879,169	\$40,879,169

Note:

*Total Appropriations by Fund as presented reflects only those funds as certified by the Office of State Budget and Management.

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

Housing Finance Agency Programs

In the 2009 Session, the General Assembly maintained \$14.6 million non-recurring appropriations for the State's three housing programs at the FY 2008-2009 level. The Housing Trust Fund received \$10 million, the HOME Match received \$1.6 million, and the Home Protection Program received \$3 million. See Annotated Conference Report, General Government section, item 54. Funding for Housing Assistance for Disabled Persons was not continued in FY 2009-10, but HFA will use funding from the Supportive Housing Program. This program is financed through the Housing Trust Fund and part of the \$10 million

NC Housing Finance Agency

appropriation in FY 2009-10 will be used for the program. (See additional information in the Housing Trust Fund section.)

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

HOME Investment Partnership Program

The HOME Investment Partnership Program, created by the federal Cranston-Gonzalez National Affordable Housing Act in 1990, provides funding to build, finance, or rehabilitate housing that is affordable for low-income families and individuals. The first federal appropriation for HOME was for federal fiscal year 1991-92, and the State followed with the first General Fund appropriation in FY 1992-93. HOME was managed by the Department of Economic and Community Development (now Commerce), Division of Community Assistance (DCA) until July 1993, when it was transferred to the Housing Finance Agency (HFA).

HOME Program Selected Facts

- North Carolina's eligible for approximately \$20 million
- Federal funds go directly to local participating jurisdictions
- HFA administers the State's share in partnership with local governments and private and non-profit developers
- 25 percent match required (annually) or approximately \$5 million
- \$1.6 million State appropriation (recurring)
- Available to households with incomes below 80 percent of local median income
- Priorities are set in the North Carolina Consolidated Plan
- HOME has financed 20,700 homes and apartments worth nearly \$1.5 billion.

In FY 2009-10, HOME expects to build or preserve over 1,600 homes and apartments; rehabilitate 200 substandard homes (owned by seniors and persons with disabilities); provide second mortgages for 200 low-income buyers who complete education and credit repair; lend down payments combined with low-interest mortgages to 625 low-income working families; and, offer loans combined with federal and state Housing Credits to reduce debt service and lower rents for 650 apartments.

The following chart provides a history of funds available to the HOME Match Program since FY 2003-04.

NC Housing Finance Agency

State Appropriation to HOME Match Program

Fiscal Year	Amount
2003-2004	1,655,926
2004-2005	1,702,375
2005-2006	1,750,945
2006-2007	1,750,945
2007-2008	1,608,417
2008-2009	1,608,417
2009-2010	1,608,417
2010-2011	1,608,417

Home Protection Program

The Home Protection Program (HPP), established in 2004, makes short- and long-term loans to homeowners at risk of losing their home due to layoffs, plant closures, or other economic shifts. Loans can equal up to 18 months of mortgage payments, including principal, interest, property taxes, and insurance. During the 18-month period, the homeowner will receive financial counseling and must work toward regaining employment by seeking jobs, attending retraining programs, or advancing education. The maximum loan is \$20,000; loans average \$10,000.

Originally, the program operated in eight counties, expanded to 27 counties in 2006, and 61 counties in 2007. The program is expected to operate in over 95 counties in FY 2009-10.

The following chart provides a history of funds appropriated to the Home Protection Program since FY 2004-05.

State Appropriations to Home Protection Program

Fiscal Year	Amount
FY 2004-05	1,725,000
FY 2005-06	7,000,000
FY 2006-07	1,500,000
FY 2007-08	1,500,000
FY 2008-09	3,000,000
FY 2009-10	3,000,000
FY 2010-11	3,000,000

NC Housing Finance Agency

Housing Trust Fund

The Housing Trust Fund, established in 1987, is used in all 100 counties to finance home ownership and rental apartments, including new construction, rehabilitation and emergency repairs to existing single- and multi-family housing units. As of December 2007, households with incomes below 50 percent of local median income receive 83 percent of the Trust Fund’s benefits. Since 2006, the General Assembly has dedicated a portion of the Fund to finance independent-and supportive-living apartments for persons with disabilities.

The Fund was initially established with a \$20 million appropriation in 1987 from Petroleum Violation Escrow settlement funds. The first General Fund appropriation was made in 1990. To date, the Fund has received \$110,151,500 from the General Fund, including \$25.4 million to meet the housing needs of persons with disabilities.

The Fund consists of two programs, the Apartments Housing Initiative and Supportive Housing Program. The “Apartment Housing Initiative,” also known as the “Housing 400 Initiative,” was established in 2006 to produce independent apartments for persons with disabilities. The Supportive Housing Program—established in 1994—and its predecessor, the Housing Special Needs Program (1992-1993), provides funds for housing for persons with special needs, including homeless persons, and families surviving domestic violence, as well as, persons with disabilities.

Housing Trust Fund Appropriations

FY 2003-04	3,000,000
FY 2004-05	3,000,000
FY 2005-06	8,000,000
FY 2006-07 ^a	18,938,500
FY 2007-08 ^b	15,500,000
FY 2008-09 ^c	17,000,000
FY 2009-10	10,000,000
FY 2010-11	10,000,000

Source: NC Housing Finance Agency

Note:

^a Includes Housing 400 Initiative \$10,937,500 (nonrecurring)

^b Includes Housing 400 Initiative \$7.5 million (nonrecurring)

^c Includes Housing 400 Initiative \$7 million (nonrecurring); later reduced to \$4,839,158 due to revenue shortfall

NC Housing Finance Agency

Federal funding was enacted in 2008 and 2009 to ease states' financing of rental developments and to alleviate the inventory of foreclosed property through mortgage incentive programs backed by federal Housing Credits awarded from 2007 through 2009. The vehicles for promoting these efforts are the Housing and Economic Recovery Act of 2008 (HERA) and American Recovery and Reinvestment Act (ARRA) of 2009 (described below). HFA will receive \$1.47 million for two programs through direct federal allocation to North Carolina from 2009 funding and \$4.2 million from the NC Department of Commerce, Division of Community Assistance through the Neighborhood Program (NSP) of 2008.

- **American Recovery and Reinvestment Act (ARRA) Funds**

The American Recovery and Reinvestment Act (ARRA), signed into law on February 17, 2009, created two stimulus programs to address gaps in financing of affordable apartment developments receiving federal Low-Income Housing Tax Credits.

Under the **Exchange Program**, the U.S. Treasury has so far approved \$95 million for North Carolina to jump-start stalled affordable apartment projects that receive federal tax credits, but were unable to find investors to purchase them. HFA, which manages the federal housing tax credit program, approved funding in August 2009 for 36 rental developments that were awarded tax credits in 2007 and 2008 and had applied for assistance. Based upon the amount of tax credits originally issued, North Carolina is eligible and expects to apply for an additional \$40 million for a total of \$135 million for these developments. In essence, the U.S. Treasury is "buying back" the tax credits at \$.85 on the dollar. The 36 rental developments will be located in 26 counties and will provide 2,013 apartments, including more than 200 for persons with disabilities. Of the 36 rental developments, eleven are under construction and one has been completed. Construction of the remaining rental developments will begin later this year.

The Tax Credit Assistance Program (TCAP), administered by the Department of Housing and Urban Development, provided \$52 million of gap financing for North Carolina housing credit developments. The funds were awarded in August to ten rental developments in ten counties, on the recommendation of HFA and with the approval of the Tax Reform Allocation Committee. The new housing is expected to produce 666 apartments and provide jobs for 1,400 people.

- **The Neighborhood Stabilization Program (NSP)** is a stimulus program under the Housing and Economic Recovery Act of 2008 (HERA). The purpose is to reduce the inventory of foreclosed, vacant and abandoned properties in areas hardest hit by foreclosures. HFA was awarded \$4.2 million by the Division of Community Assistance (DCA), which manages NSP Round I in North Carolina, and has designated 23 counties. HFA will use the funds to provide 0 percent, forgivable second mortgages of \$14,900 for first-time home buyers who buy a foreclosed home using HFA's First Home mortgage program and \$25,000 for buyers who purchase a foreclosed home through a local government, Habitat for Humanity, or a nonprofit partner. The first loan closings occurred in September 2009. NSP Round II is also part of ARRA and HFA is applying for funds from HUD.

NC Housing Finance Agency

Additional Legislation

No relevant information to report.

Department of Insurance

NC Constitution, Article III, Section 7 Establishment
 G.S. 143A-74 Powers and Duties

Agency Description:

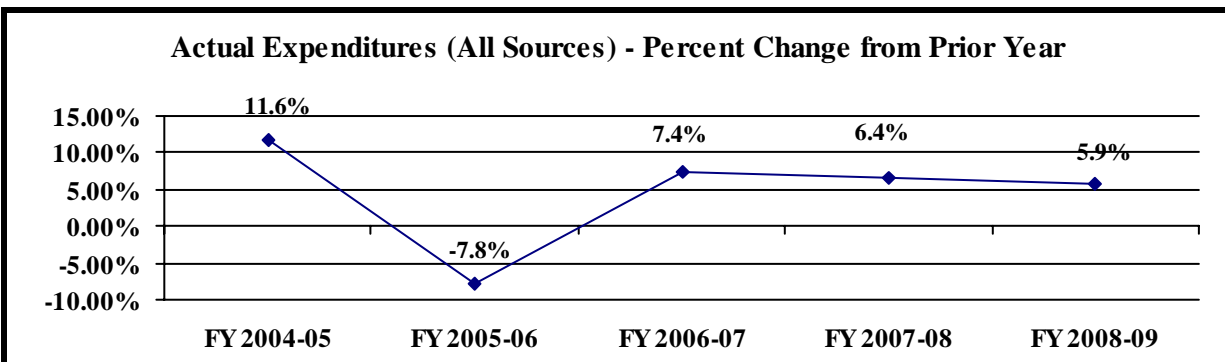
The Department of Insurance regulates the insurance industry by approving rates charged by insurance companies, licensing companies and agents, and monitoring companies for compliance with applicable laws. The Commissioner of Insurance is an elected member of the Council of State and also serves as the State’s Fire Marshal, providing financial and technical assistance to local fire and rescue squads, inspecting public buildings, and enforcing the State’s building code. The Department also maintains insurance coverage for all of the State’s physical assets, licenses bail bondsmen, operates the Seniors’ Health Insurance Information Program and offers consumer services.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	37,876,926	40,110,024	39,150,478	39,212,662
Revenue	7,913,835	9,142,201	6,969,956	6,969,956
Net Appropriations	\$29,963,091	\$30,967,823	\$32,180,522	\$32,242,706
Positions (FTE)	412.10	418.10	418.10	418.10

Budget Overview:

The budget for the Department of Insurance totals \$39.2 million in FY 2009-10 and \$39.2 million in FY 2010-11. The FY 2009-10 budget represents a 2.4% decrease from the previous year. The Department receives 17.8% in direct fee revenues. However, the Insurance Regulatory Fund reimburses the General Fund for all appropriations made for regulation of the insurance industry. Eighty-two percent of the Department’s FY 2009-10 budget is funded by net General Fund appropriations.

Expenditures have grown an average 4.7% over the last five fiscal years. The Department’s actual expenditures increased 11.6% in FY 2004-05 due primarily to the transfer of the Building Code Book Sales Program from receipt support to the General Fund, as well as a transfer of \$3.4 million in fines to the General Fund. In FY 2005-06, expenditures were lower due to a decrease in fines and penalties. From FY 2006-07 to FY 2008-09, increases have been caused by normal annual increases in salaries, rent, contracts, and travel.



Department of Insurance

Budget Tables

The following table provides a breakdown of the Department of Insurance’s General Fund operating budget by division.

Department of Insurance (13900 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	6,020,266	6,049,581
Company Services	7,618,916	7,627,106
Technical Services	6,806,862	6,812,535
Public Services	7,688,462	7,688,462
State Fire Marshal	10,530,972	10,549,978
Reserves and Transfers	485,000	485,000
TOTAL	\$39,150,478	\$39,212,662
Revenue	(6,969,956)	(6,969,956)

The following table provides a breakdown of funds* administered by the Department of Insurance, including the General Fund budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Department of Insurance (13900 – General Fund)	39,150,478	39,212,662
Department of Insurance (23900 – Special Revenue Fund)	33,489,985	33,489,985
Department of Insurance (23901 – Special Revenue Fund)	1,354,983	1,354,983
Department of Insurance (23902 – Special Revenue Fund)	245,533	245,533
Department of Insurance (23903 – Special Revenue Fund)	92,692	92,692
Department of Insurance (63901 – Special Revenue Fund)	5,975,386	5,975,386
Department of Insurance (63902 – Enterprise Fund)	6,885,094	6,885,094
Department of Insurance (63903 - Internal Service Fund)	18,761,268	18,761,286
Department of Insurance (13901 - Direct General Fund)	2,000,000	1,561,846
TOTAL	\$107,955,419	\$107,579,467

Note:

*Total Appropriations by Fund as presented reflects only those funds as certified by the Office of State Budget and Management.

Department of Insurance

Other Funds

Insurance Regulatory Fund (23900)

Balance: \$14,399,232
(as of June 29, 2009)

The Insurance Regulatory Fund, established by G.S. 58-6-25, is funded through insurance regulatory fees assessed on insurance companies and collected by the Department of Revenue, G.S. 58-6-25. These fee revenues are deposited in this fund monthly. At the end of each of the first three quarters of the fiscal year, one-fourth of the annual appropriation to the Department of Insurance is transferred from the Insurance Regulatory Fund into a clearing account to reimburse the State for the appropriations. In the fourth quarter at the end of the fiscal year, the Department transfers sufficient funds to repay the year's actual expenditures.

State Property Fire Insurance Fund (63903)

Balance: \$3,269,548
(as of June 29, 2009)

The State Property Fire Insurance Fund was created by G.S. 58-31. The Fund insures State-owned buildings and contents for fire, extended coverage and other property losses. Coverage for fire losses is provided at no charge for all operations that are supported by the State's General Fund. Those operations that are not supported by the State's General Fund must pay a premium. State agencies may purchase extended coverage and other property insurance coverage, such as sprinkler leakage, business interruption, vandalism, theft, and "all risk" for buildings and contents through the Fund. The Fund insures losses up to \$2.5 million per occurrence. Most losses covered by the Fund are subject to a \$500 per occurrence deductible. Theft losses carry a \$1,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium. For FY 2008-09 revenues generated from insurance premiums totaled \$11,889,479. The Fund expended \$12,743,575 in FY 2008-09.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Seniors' Health Insurance Information Program (SHIIP)

SHIIP, established in 1986, provides health insurance information, counseling, and assistance to Medicare beneficiaries and/or family members in North Carolina. SHIIP's primary

Department of Insurance

objective is to educate the public on seniors' health insurance concentrating on Medicare, Medicare supplements, Medicare Advantage, and Long-Term Care insurance. SHIIP uses trained seniors as volunteer counselors in all 100 counties to educate and counsel their peers on seniors' health insurance; operates a statewide toll-free line; and develops educational materials for consumers. SHIIP's primary consumers are seniors, disabled individuals, and caregivers or adult children.

In 1992 Congress mandated all states to develop a state health insurance counseling and information program to be supported with federal funds. Since that time SHIIP has received federal grant assistance in addition to State funding. The program's FY 2009-10 budget of \$2,061,788 is derived from \$792,529 in General Fund appropriations and \$1,269,259 in federal funds.

Additional Legislation

S.L. 2009-382 (HB 1183) HEALTH AND OTHER INSURANCE LAW CHANGES

This act makes substantive and technical changes to Article 10 of Chapter 58 of the General Statutes in the following categories: 1) health insurance and managed care – in compliance with recent congressional enactments; 2) credit insurance law; 3) motor vehicle inspection – in compliance with recent discontinuation of inspection stickers; and 4) interstate insurance product regulation compact act . This act also amends and adds to the definitions for creditable coverage, group health insurance coverage, and group market.

S.L. 2009-384 (HB 1314) ANNUAL FINANCIAL REPORTING

This act is intended to improve the Commissioner of Insurance's ability to monitor the financial condition of insurers. Selected changes made to Article 10 of Chapter 58 of the General Statutes include: 1) requires annual audited financial reports to be filed with the Commissioner by June 1; 2) requires insurers to designate an audit committee to preapprove all auditing services and non-audit services provided to an insurer by a qualified CPA; 3) requires annual audited financial reports to report the financial position of the insurer as of the end of the most recent calendar year; 4) allows insurers to apply for approval to file combined audited financial statements in lieu of separate financial statements; 5) requires insurers to furnish a written communication as to any unremediated material weakness, or lack thereof, in its internal control over financial reporting noted during the audit and any remedial actions taken; and 6) requires insurers to prepare a report of the insurer's internal controls over financial reporting for the previous year along with any related written communication.

S.L. 2009-472 (HB 1305) BEACH PLAN CHANGES

This act makes changes to the coastal property insurance pool, presently known as The Beach Plan, as recommended by the Joint Select Study Committee on the Potential Impact of Major Hurricanes on the North Carolina Insurance Industry. This act makes various changes to Article 45 of Chapter 58 of the General Statutes, including the following:

1. Renames the Beach Plan the "Coastal Property Insurance Pool;"
2. Requires that the surplus of the Coastal Property Insurance Pool be retained to pay losses, purchase reinsurance, and pay operating expenses;
3. Sets maximum coverage limits;

Department of Insurance

4. Sets homeowners coverage surcharges;
5. Requires the Coastal Property Insurance Pool to set a minimum named storm deductible for wind and hail coverage;
6. Requires the Coastal Property Insurance Pool to file a schedule of credits for policyholders based on mitigation and construction features and requires the Rate Bureau to do the same for non-Coastal Property Insurance Pool policyholders in the coastal areas of the State;
7. Requires the Coastal Property Insurance Pool to submit to the Commissioner an installment plan for premium payments;
8. Provides that when losses incurred by the Coastal Property Insurance Pool result in an assessment against insurers, the Coastal Property Insurance Pool may institute a catastrophe recovery charge on policyholders to finance the remaining losses;
9. Requires insurers to report by February 1 of each year the amount of homeowner's insurance written in the Beach and Coastal areas;
10. Provides that information concerning the Coastal Property Insurance Pool's activities shall be made fully available upon request;
11. Requires the N.C. Rate Bureau to revise, monitor, and review territories in the Beach and Coastal areas;
12. Requires the Coastal Property Insurance Pool to be audited annually by an auditor selected by the Commissioner;
13. Requires public notice in at least two newspapers with statewide distribution of filings for increases in residential property insurance rates; and
14. Authorizes the Legislative Research Commission to study changes in the composition of the Board of Directors, public participation in the rate-making process, time limits for approval or disapproval by the Commissioner of rate filings, and the establishment of a public advocacy staff in rate-making proceedings.

S.L. 2009-474 (SB 425) STREAMLINE PLAN REV. & INSPECTION/STATE BUILDINGS

See legislation summary in Department of Administration section.

S.L. 2009-565 (HB 1313) REGULATE PUBLIC ADJUSTERS

This act creates Article 33A to regulate the duties of and restrictions on public adjusters, as well as to limit their licensure to assisting insured in first-party claims. G.S. 25-33A requires the licensure of insurance public adjusters beginning on July 1, 2010. This Article establishes the following: 1) qualifications for licensure; 2) nonresident licensure reciprocity; 3) continuing education requirements; 4) requirements for a bond or letter of credit for each licensed public adjuster; 5) requirements for contracts between a public adjuster and an insured; 6) record retention requirements; and 7) standards of conduct for public adjusters. This act also authorizes the Commissioner of Insurance to adopt rules to carry out the purposes of the new Article.

Department of Insurance-Volunteer Safety Workers' Compensation

G.S. 58-87-10 Workers' Compensation Fund for the Benefit of Volunteer Safety Workers

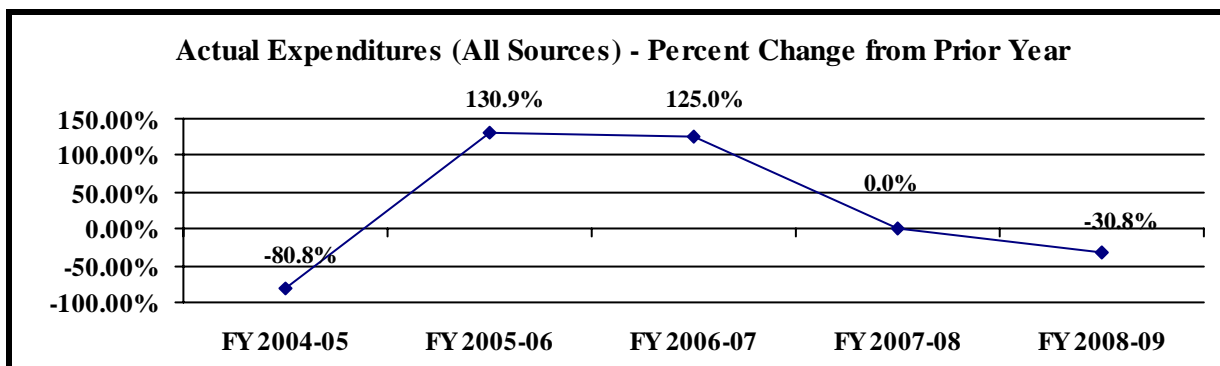
Agency Description:

The Department of Insurance receives appropriations for a Workers' Compensation Fund for persons working in volunteer fire or volunteer emergency medical units. This fund does not revert and retains interest revenue.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	4,500,000	3,115,500	2,000,000	1,561,846
Revenue	0	0	0	0
Net Appropriations	\$4,500,000	\$3,115,500	\$2,000,000	\$1,561,846
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

The General Assembly appropriated \$2 million to the Volunteer Safety Workers' Compensation Fund for FY 2009-10 and \$1.6 million for FY 2010-11. The FY 2009-10 appropriation represents a reduction of \$2.5 million (or 44%) from the previous fiscal year. Due to budget shortfalls, the appropriation has been reduced on a nonrecurring basis. Over the last five years, the average percentage change in actual expenditures was 28.9%.



Department of Insurance-Volunteer Safety Workers' Compensation

Budget Tables

The Department of Insurance-Volunteer Safety Workers' Compensation Fund is a pass-through budget used to provide a General Fund appropriation to a special fund used to administer workers' compensation benefits to volunteer fire and rescue workers. The table below reflects the General Fund Appropriation only.

Department of Insurance-Volunteer Safety Workers' Compensation (13901 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
	2,000,000	1,561,846
TOTAL	\$2,000,000	\$1,561,846
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$2,000,000	\$1,561,846

Other Funds

Volunteer Safety Workers' Compensation Fund (13901) **Balance: \$24,144,367**
(as of June 29, 2009)

The Volunteer Safety Workers' Compensation Fund, authorized in G.S. 58-87-10, was created in 1995, S.L. 1995-507 (House Bill 230). The Fund is used to administer workers' compensation coverage for participating volunteer firefighters and rescue squad personnel. Typically funded with a \$4.5 million appropriation from the State General Fund and premiums paid by participating volunteers, FY 2009-11 appropriations were reduced by \$2.5 million in each year. (See **Annotated Conference Report, General Government Section, Item 58.**)

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Department of Insurance-Volunteer Safety Workers' Compensation

Additional Legislation

No relevant information to report.

Office of Lieutenant Governor

NC Constitution Article III, Section 2 Established
 NC Constitution, Art. III, Section 6 Duties of the Lieutenant Governor

Agency Description:

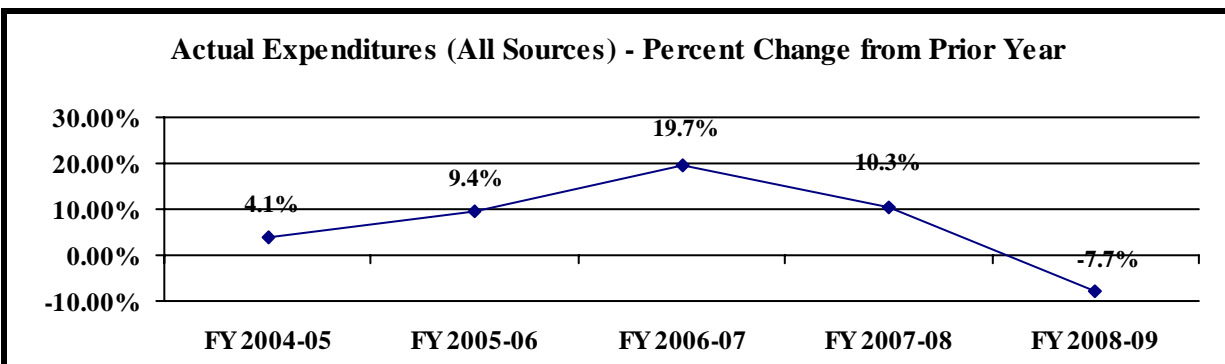
The Lieutenant Governor presides over the Senate and succeeds the Governor in the event of the Governor’s death or disability. The Lieutenant Governor, a member of the Council of State, has several significant board and commission memberships, including the State Board of Community Colleges.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	993,134	916,500	944,202	931,703
Revenue	37,376	29,381	0	0
Net Appropriations	\$955,758	\$887,119	\$944,202	\$931,703
Positions (FTE)	12.00	12.00	12.00	12.00

Budget Overview:

The Lieutenant Governor’s budget is \$944,202 for FY 2009-10 and \$931,703 for FY 2010-11. The FY 2009-10 budget represents a 3% increase from FY 2008-09. This increase is due to normal annual increases in salaries and benefits. The Office is entirely funded by the General Fund, with no projected revenues for FY 2009-10 or FY 2010-11. Revenue in previous years has come from carry forward and transfers from the Department of Administration. Due to current budget constraints, neither of these types of revenues is applicable to the Office of the Lieutenant Governor's FY 2009-11 budget.

Over the past five years, the average percentage change in actual expenditures was 7.2%. Typically, increases in annual expenditures have been caused by normal annual increases in salaries and benefits. In FY 2006-07, the budget experienced a significant increase due to the addition of one senior-level position. In FY 2008-09, the office’s actual expenditures decreased due to mandatory budget reductions.



Office of Lieutenant Governor

Budget Tables

The following table displays the Lieutenant Governor’s total General Fund operating budget.

Office of Lieutenant Governor (13100 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	\$944,202	\$931,703
TOTAL	\$944,202	\$931,703
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$944,202	\$931,703

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Office of Administrative Hearings

N.C. Constitution Article III, Section 11 Judicial Powers
 G. S. 7A-750 Powers and Duties

Agency Description:

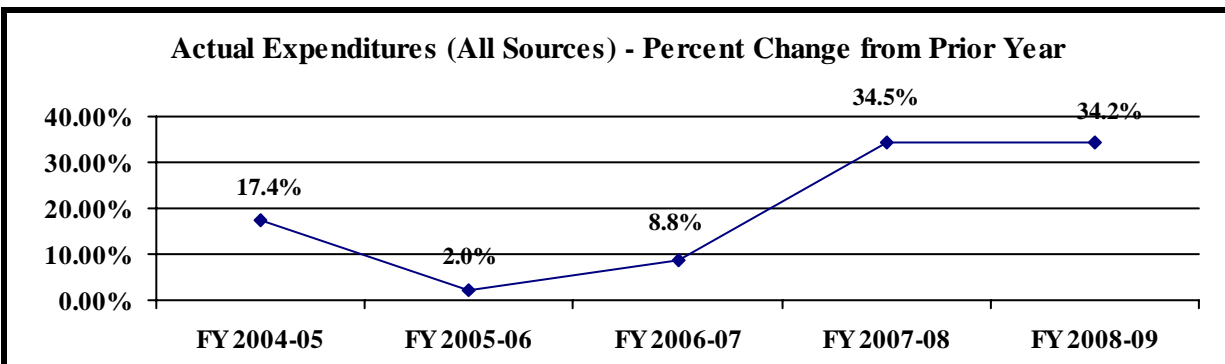
The Office of Administrative Hearings (OAH), established by the General Assembly in 1985, is an independent, quasi-judicial agency established to provide access to administrative remedy for citizens engaged in disputes with State agencies in their regulatory capacity, and to house the State’s rule-making process. The Office also includes the Civil Rights Division, which investigates claims of employment discrimination within State agencies.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	4,216,882	5,657,306	4,210,371	4,166,335
Revenue	35,419	1,697,863	54,859	54,859
Net Appropriations	\$4,181,463	\$3,959,442	\$4,155,512	\$4,111,476
Positions (FTE)	44.00	44.00	41.00	41.00

Budget Overview:

The budget for the Office of Administrative Hearings (OAH) is \$4,210,371 in FY 2009-10 and \$4,166,335 in FY 2010-11. The FY 2009-10 OAH budget decreased 25.6% from the previous year. The two principal sources of revenue are federal reimbursements for services provided on behalf of the Equal Employment Opportunity Commission (EEOC) and receipts from the sale of information services, the majority from the sale of the North Carolina Register.

Primarily supported by net General Fund appropriations (approximately 98.7%), actual expenditures have increased by an average of 19.4% since FY 2004-05. Expenditures rose in FY 2007-08 and FY 2008-09 due to the increasing number of Medicaid appeals heard by the Office of Administrative Hearings.



Office of Administrative Hearings

Budget Tables

The following table provides a breakdown of the total General Fund operating budget for the Office of Administrative Hearings.

Office of Administrative Hearings (18210 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
Personal Services	\$3,347,539	\$3,330,984
Purchased Services	764,256	772,091
Supplies	14,698	14,698
Property, Plant & Equipment	80,422	47,106
Other Expenses & Adjustment	3,456	1,456
Intragovernmental Transfer	0	0
TOTAL	\$4,210,371	\$4,166,335
Revenue	(54,859)	(54,859)
NET GENERAL FUND APPROPRIATIONS	\$4,155,512	\$4,111,476

Other Funds

The following table provides a breakdown of funds* administered by the Department of Insurance, including the General Fund budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Office of Administrative Hearings (18210 - General Fund)	4,210,371	4,166,335
IT Projects (28210 - Special Fund)	445,900	445,900
TOTAL	\$4,656,271	\$4,612,235

Note:

* Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Office of Administrative Hearings

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Department of Revenue

GS 143B-217 Creation
 GS 143B-218 Duties

Agency Description:

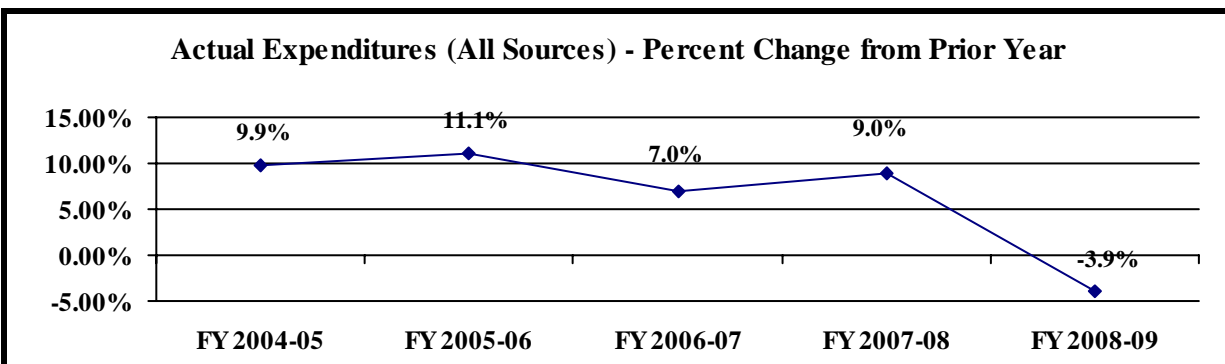
The Department of Revenue is responsible for administering the State’s tax laws. The Department is responsible for the collection of individual and corporate income taxes and sales taxes and enforcement activities for delinquent taxpayers. The Department also administers revenue laws in the areas of the gasoline tax, the unauthorized substance tax, and the property tax collected by counties.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	117,183,205	112,562,363	118,551,065	117,396,062
Revenue	25,023,483	26,806,579	29,589,648	29,605,092
Net Appropriations	\$92,159,722	\$85,755,783	\$88,961,417	\$87,790,970
Positions (FTE)	1,549.25	1,546.25	1,546.25	1,532.25

Budget Overview:

The Department’s budget totals \$118.6 million for FY 2009-10 and \$117.4 million for FY 2010-11. This is, on average, a 5% increase from FY 2008-09. The Department is allowed to retain portions of some of the taxes it collects, such as the white goods and scrap-tire disposal taxes and the collection assistance fee charged for the collection of delinquent taxes. These receipts make up 25% of the total budget. Net General Fund appropriations of \$89 million make up 75% of the Department’s budget.

The Department’s actual expenditures have increased over a five-year period by an annual average of 6.6%. In FY 2005-06, the increase in expenditures was caused in part by the addition of 45 positions to support compliance, enforcement, and collections. Forty-seven new positions supporting the Taxpayer Assistance & Collection Center contributed to the Department’s increase in FY 2006-07. Additionally, reduced spending in FY 2008-09 included the Department's ability to use up to \$25 million of the Collection Assistance Fee to implement the State’s new Tax Information Management System.



Department of Revenue

Budget Tables

The following table provides a breakdown of the General Fund operating budget for the Department of Revenue by division.

Department of Revenue (14700 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	2,898,075	2,843,420
Administrative Services	9,086,053	8,975,466
Collection and Examination	30,117,893	30,120,605
Corporate, Excise, and Insurance	1,088,606	1,088,606
Criminal Investigations	1,111,718	1,111,718
Documents and Payment Processing	13,446,841	13,459,429
Financial Services	818,682	781,638
Fuel Tax Compliance	1,637,416	1,638,025
Human Resources	766,322	731,424
Information Technology	16,818,291	16,818,291
Lee Tax Credits	406,700	406,700
Motor Fuels	5,848,262	5,854,118
Personal Taxes	720,883	683,889
Policy Analysis	648,265	648,265
Project Collect Tax	3,746,986	3,750,832
Project Compliance	6,038,525	5,603,363
Property Tax	1,461,744	1,461,744
Public Transit Tax	661,262	662,134
Sales and Use	1,007,924	909,554
Taxpayer Assistance	10,222,173	10,030,237
Taxpayer Call Center	6,382,991	6,383,552
Unauthorized Substance Tax	1,709,594	1,652,193
All Other Divisions	1,905,859	1,780,859
TOTAL	\$118,551,065	\$117,396,062
Revenue	(29,589,648)	(29,605,092)
NET GENERAL FUND APPROPRIATIONS	\$88,961,417	\$87,790,970

Department of Revenue

The following table provides a breakdown of funds* administered by the Department of Revenue, including the General Fund operating budget.

Total Appropriations by Fund	Certified	Certified
	FY 2009-10	FY 2010-11
Dept of Revenue (14700 – General Fund)	118,551,065	117,396,062
Special (24700 – Special Revenue Fund)	12,143,764	12,143,764
Project Collect Tax (24704 – General Fund)	12,119,752	12,119,752
Tax Transaction Fees (24707 – General Fund)	448,194	448,194
IT Projects (24708 – General Fund)	40,000,000	40,000,000
TOTAL	\$183,262,775	\$182,107,772

Note:

* Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

Project Collect Tax (24704) Balance: \$7,067,923 (as of June 29, 2009)

The Project Collect Tax initiative was begun in 2002 to increase the tax collection revenues for the State. The Department of Revenue is allowed to charge delinquent taxpayers a 20% Collection Assistance Fee, which is retained by the Department to defray the costs of collection. The Collection Assistance Fee, established in G.S. 105-243.1, is imposed on tax debt that remains unpaid 30 or more days after the fee notice is mailed to the taxpayer. To impose a collection assistance fee on a tax debt, the Department must notify the taxpayer that the fee will be imposed if the tax debt is not paid in full within 30 days after the date the fee notice was mailed. The Department may not mail the fee notice earlier than 60 days after the tax debt becomes collectible under G.S. 105-241.22. The fee is collected as part of the debt.

The Department of Revenue collected \$17,062,828 through the 20% Collection Assistance Fee in FY 2008-09. In FY 2008-09 \$16,719,341 was expended from the Project Collect Fund. Collections have increased by 36.6 percent since FY 2003-04.

Significant Legislative Budget Actions

Interstate Auditors

The \$300 monthly stipend paid to interstate auditors was eliminated in the FY 2009-11 budget. This stipend served to assist the Department’s 37 out-of-state auditors with additional expenses incurred by out-of-state housing and/or home office requirements. However, many of these auditors now receive a pay supplement allowance (PSA) in addition to base salary, which is intended to serve the same purpose. To eliminate redundancy, the

Department of Revenue

monthly stipend was eliminated. (See Annotated Conference Report, General Government section, Item 66)

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Department of Secretary of State

NC Constitution, Art. III, Section 7 Other elective officers; G.S. 147-36 Duties of Secretary of State

Agency Description:

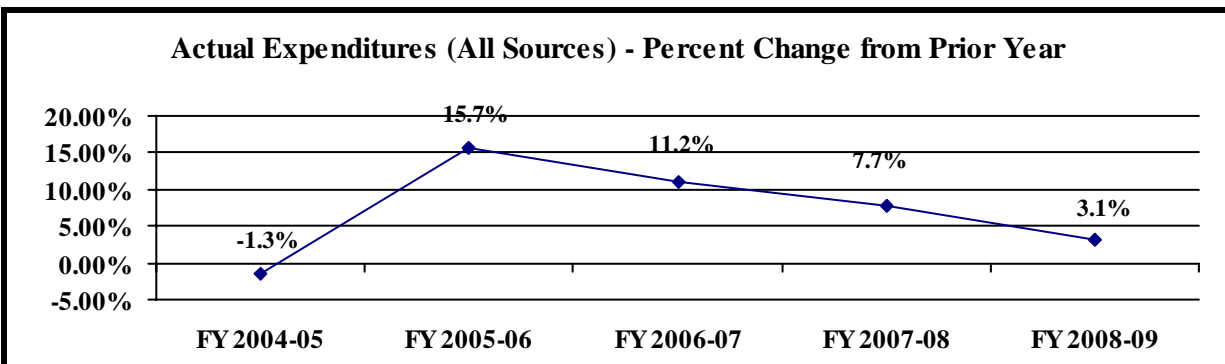
The Secretary of State is an elected official and a member of the Council of State. The Department of Secretary of State oversees and enforces many business and individual activities, including the Uniform Commercial Code, and trademark registries. The Department also regulates investment activity, lobbying, and notary publics; maintains major State documents; and publishes State government’s reference works, including the “N.C. Manual” and the “Directory of State and County Officials.”

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	11,958,154	12,326,255	12,376,656	12,188,949
Revenue	1,114,668	1,703,432	736,297	737,461
Net Appropriations	\$10,843,486	\$10,622,823	\$11,640,359	\$11,451,488
Positions (FTE)	187.75	191.75	188.75	188.75

Budget Overview:

The budget for the Department of Secretary of State is \$12.4 million in FY 2009-10 and \$12.2 million in FY 2010-11. The FY 2009-10 and FY 2010-11 budgets on average decreased 0.35% compared to the prior fiscal year due to reductions that averaged \$345,690 for the two fiscal years. The Department’s budget is derived from 94.1% net General Fund appropriations and 5.9% revenue. The majority of the Department’s revenue is generated by licensing charitable organizations and professional fundraisers and is used to fully support the Charitable Solicitation Licensing Section. Revenue is also generated from the sale of publications.

Over the last five years, actual expenditures have increased on average 7.3% annually. Revenue has fluctuated in recent years due to the amount of carry forwards authorized and the elimination of subscriptions for data tapes listing corporate and Uniform Commercial Code data. The FY 2005-06 actual budget experienced the largest percent change in the last five years, 15.7%, due to operating increases to the Securities, Notary Public, and Lobbyist divisions.



Department of Secretary of State

Budget Tables

The following table provides a breakdown of the Department of Secretary of State’s total General Fund operating budget by division.

Secretary of State (13200 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
General Administration	3,203,920	3,195,697
Publications	475,434	453,964
Lobbyist Registration	535,032	531,526
Corporations	2,660,474	2,619,949
Uniform Commercial Code/Notary/Land Records	3,120,544	3,018,719
Securities	1,706,580	1,693,258
Charitable Fund Raising	674,672	675,836
TOTAL	\$12,376,656	\$12,188,949
Revenue	(736,297)	(737,461)
NET GENERAL FUND APPROPRIATIONS	\$11,640,359	\$11,451,488

The following table provides a breakdown of funds* administered by the Department of Secretary of State, including the General Fund operating budget.

Total Appropriation by Fund	Certified FY 2009-10	Certified FY 2010-11
Secretary of State (13205 - General Fund)	12,376,656	12,188,949
SOS Special (23200 - Special Revenue Fund)	288,713	292,713
SOS Trust Special Revenue (63201 - Special Revenue Fund)	184,420	184,420
TOTAL	\$12,849,789	\$12,666,082

Note:

*Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

Health Care Directive Registry (23200-2130)

**Balance: \$82,767
(as of June 29, 2009)**

Since 2002, the Secretary of State has maintained the Health Care Directive Registry of legal documents in which a person gives instruction on his or her health care, such as a living will or health care power of attorney (G.S. 130A-470). To register, citizens send the Health Care Directive Registry, their legal documents to the Health Care Registry with a \$10 fee. The

Department of Secretary of State

Secretary of State then remits a registry card to the applicant. The registry is fully receipt-supported and is staffed by one part-time contractor who processes filings and maintains an online database.

As of June 30, 2009, the registry posted over 14,897 documents and there were 433 revocations, for which there is no fee required. In FY 2008-09 the fund had a starting balance of \$73,304; it received \$32,183 in receipts and expended \$22,720.

**Investor Protection and Education Trust Fund (63201-6102) Balance: \$4,451,531
(as of June 29, 2009)**

In 1996 the General Assembly authorized the Investor Protection and Education Trust Fund (G.S. 147-54.5). The Secretary of State uses the Fund's proceeds to provide investor protection and education to the public, including potential securities investors. The Fund is supported by settlements of securities investigations conducted by the Secretary of State.

In FY 2008-09, the fund's starting balance was \$1,706,615. It received \$82,417 in interest, \$79,584 in settlement funds, and expended \$126,154. Included in the \$4.5 million ending Fund balance is \$1,742,462 in the Investor Protection Fund and \$2,709,069 in the Auction Rate Securities Fund (ARS) funds as described in the section below.

**Auction Rate Securities Fund (23200-2150) Balance: \$2,709,069
(as of June 29, 2009)**

The Auction Rate Securities Program was established in FY 2008-09 with \$350,000 in appropriated funds obtained as a loan from the Office of State Budget and Management (OSBM) that was repaid later in the fiscal year with receipts deposited to the Auction Rate Securities Fund (ARS). During FY 2008-09, investigations generated \$3,108,024 in receipts of which \$398,955 was expended for operating costs, resulting in an ending balance of \$2,709,069 at the end of June 2009. This amount was temporarily deposited into the Investor Protection and Education Fund until the Special Fund authorized in FY 2009-10 could be established. This Fund is fully receipt-supported.

Significant Legislative Budget Actions

Auction Rate Securities Investigations

Per the General Assembly's authorization, the Auction Rate Securities Investigation Special Fund (Budget Code 23200, Fund 2150) was established in FY 2009-10. The Secretary of State will use proceeds of the Fund to continue the Department's active participation in the North American Securities Administrators Association's (NASAA) ARS Task Force. The Task Force is conducting investigations into the marketing of Auction Rate Securities by the regulated community to investors, as well as, the remedies for harm arising from such marketing. The Fund is supported by reimbursements for the costs of investigations under Chapters 78A, 78C, and 78D of the General Statutes and the Department receives payment from investment banks and firms as part of its involvement in the Task Force. **(S.L. 2009-451, Sec. 24.2)**

Department of Secretary of State

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

S.L. 2009-247 (SB 412) MODIFY NC LIMITED LIABILITY COMPANY ACT

- Sections 1 and 2 of this act make clarifying changes to the existing North Carolina Limited Liability Company Act.
- Section 3 creates a new subsection in G.S. 57C-4-06 to provide clarification on the meaning of “distribution” as it is applied in the act.
- Section 4 adds requirements to the process by which an assignee of (or other person having only rights of an assignee under G.S.57C-5-02 with respect to) an interest in a limited liability company may become a member.
- Section 5 amends G.S. 57C-5-05 to specify that unless otherwise provided in the legislation if a membership is dissolved or terminated, the powers of that member may be transferred to the member’s legal representative for the purposes of settling the member’s estate.
- Section 6 makes clarifying changes in G.S. 57C-6-01 to the dissolution of a limited liability company.
- Section 7 repeals G.S. 57C-6-06.1, which previously contained requirements of the cancellation of articles of dissolution of a limited liability company.
- Section 8 amends G.S.57C-10-03 to include a subsection stating that the policy of this Chapter is to give the maximum effect to the principle of freedom of contract and to the enforceability of operating agreements. This act becomes effective January 1, 2010.

S.L. 2009-434 (HB 819) POLYSOMNOGRAPHY PRACTICE ACT

Refer to summary of act in the Finance section.

State Board of Elections

G.S. 163-22 Powers and duties of State Board of Elections

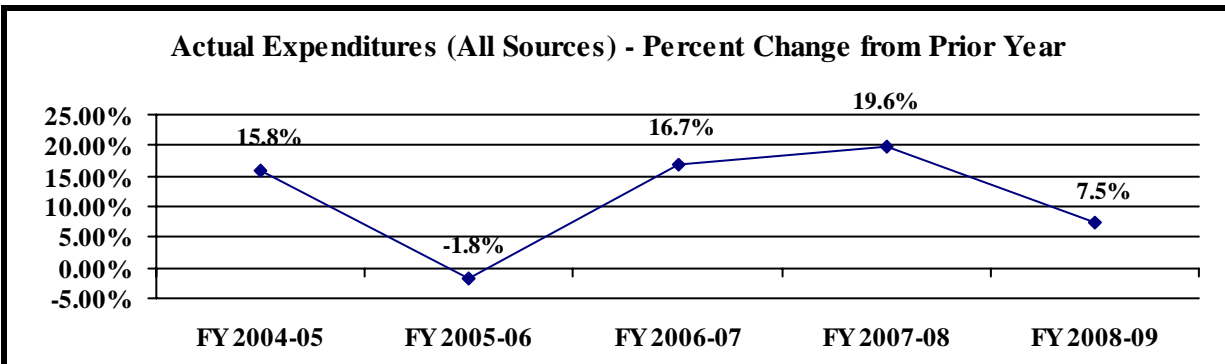
Agency Description:

The State Board of Elections supervises the 100 county boards of elections and the municipal boards of elections in administering elections and related laws, certifying election results, voter outreach and registration, voting systems and support, absentee voting, education and training, and investigations, audits, and appeals of election disputes. In addition, the State Board operates the computer systems needed to maintain statewide voter-registration information and campaign-finance reports associated with statewide elections.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	16,528,052	17,765,590	9,855,858	9,769,843
Revenue	9,705,493	9,537,545	5,048,635	3,548,635
Net Appropriations	\$6,822,559	\$8,228,044	\$4,807,223	\$6,221,208
Positions (FTE)	63.00	67.00	62.00	62.00

Budget Overview:

The budget for the State Board of Elections is \$9,855,858 in FY 2009-10 and \$9,769,843 in FY 2010-11. For FY 2009-10, 48.8% of the agency’s budget is derived from net General Fund appropriations. Remaining funds include significant carry forwards from the Help America Vote Act (HAVA) Fund, intrafund transfers for HAVA and the Maintenance of Effort (MOE) Funds, and minimal receipts for reimbursements for auditing expenses incurred by the Campaign Finance division. Over the last five years, total expenditures have increased by an average of 11.6% annually.



State Board of Elections

Budget Tables

The following table provides a breakdown of the Board of Elections’ total General Fund operating budget. The budget includes its three divisions: Administration, Campaign Finance, and Information Systems, which oversees voter registration and voting systems. The budget also includes Maintenance of Effort (MOE) funds, which is the State matching appropriation for the Help America Vote Act (HAVA).

State Board of Elections (18025 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	1,507,973	1,443,402
Campaign Reporting	1,285,012	1,261,997
Voter Registration and Voting Systems	3,605,287	3,606,858
Reserves and Transfers	0	0
Maintenance of Effort	3,457,586	3,457,586
TOTAL	\$9,855,858	\$9,769,843
Revenue	(5,048,635)	(3,548,635)
NET GENERAL FUND APPROPRIATIONS	\$4,807,223	\$6,221,208

The following table provides a breakdown of funds* administered by the State Board of Elections, including the General Fund operating budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
State Board of Elections (18025 - General Fund)	9,855,858	9,769,843
SBE-HAVA Federal Funds (28025 - Federal Fund)	(1,407,196)	(1,407,196)
TOTAL	\$8,448,662	\$8,362,647

Note:

* Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

**HAVA Fund (28025) Balance: \$9,677,336
(as of June 29, 2009)**

See “Select Programs and Other Budgetary Information” for more information about this fund.

State Board of Elections

Public Campaign Fund (68025)

Balance: \$4,840,194
(as of June 29, 2009)

The State Board of Elections is administratively responsible for the Help America Vote Act (HAVA) funds and two voter education funds (the NC Public Campaign Fund and the North Carolina Political Party Financing Fund). Detailed information on the HAVA and Public Campaign funds appear in the section titled “Select Programs and Other Budgetary Information.”

North Carolina Political Parties Financing Fund (68026)

Balance: \$819,619
(as of June 29, 2009)

The North Carolina Political Parties Financing Fund was established by G.S.105-159.1. The Fund received \$1,641,886 in tax contributions in FY 2008-09. In FY 2008-09 the Fund expended \$713,806. Since tax year 2006, individual income tax filers may authorize \$3 (or \$6 if filing a joint return) of their personal income tax liability for the Fund. Prior to 2006, individual contributions were limited to \$1 (or \$2 if filing jointly). Proceeds from the Fund are distributed to political parties that are affiliated by at least 1 percent of the State’s registered voters and that receive at least 10 percent of the entire vote cast for Gubernatorial or Presidential candidates during the last preceding General Election.

Voter-Owned Elections Program (68029)

Balance: \$3,081,203
(as of June 29, 2009)

The Voter-Owned Elections Program was established by S.L. 2007-540 (HB 1517), which appropriated \$1 million in FY 2007-08 and \$3.6 million in FY 2008-09 for a pilot program for candidates of three Council of State offices (State Auditor, Superintendent of Public Instruction, and Commissioner of Insurance). This program provides candidates with the option of financing their campaign from a publicly-supported fund.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

No relevant information to report.

State Board of Elections

Select Programs and Other Budgetary Information

Help America Vote Act/Maintenance of Effort (HAVA/MOE)

The federal Help America Vote Act (HAVA) of 2002, P.L. 107-252, was signed into law on October 29, 2002. The federal law aimed to improve the administration of elections by replacing punch-card voting systems and by establishing minimum election administration standards, such as maintenance of a single voter registration list and standardized voter registration information. Congress appropriated \$1.5 billion in federal FY 2002-03 for grants to states to assist in implementing HAVA requirements.

To qualify for federal funds, states were required to submit a state plan and implement the Maintenance of Effort (MOE) requirements of Title II, section 254(a)(7) of HAVA. The MOE requires that states maintain a level of expenditures at least equal to their expenditures for fiscal year ending prior to November 2000. The MOE state match for federal funds is 5 percent of HAVA Title II funds.

North Carolina received \$32,203,370 in 2003 and \$42,046,100 in 2004 for a total of \$74,249,370 in federal HAVA funds. To meet HAVA's Title II MOE requirement, North Carolina appropriated from its General Fund to a reserve \$3,457,585 recurring and \$2,090,923 nonrecurring beginning in FY 2003-04. The State must continue the recurring MOE funds as long as the State has unspent Title II funds. MOE funds must be spent on a Federal election purpose, including voting equipment. Using MOE funds for local elections, campaign financing, or the transfer of existing functions is prohibited by the federal HAVA law.

The following chart shows the history of the HAVA Fund since FY 2003-04.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
State Board of Elections (18025 - General Fund)	4,807,223	6,221,028
SBE-HAVA Federal Funds (28025 - General Fund)	(1,407,196)	(1,407,196)
TOTAL	\$ 3,400,027	\$ 4,813,832

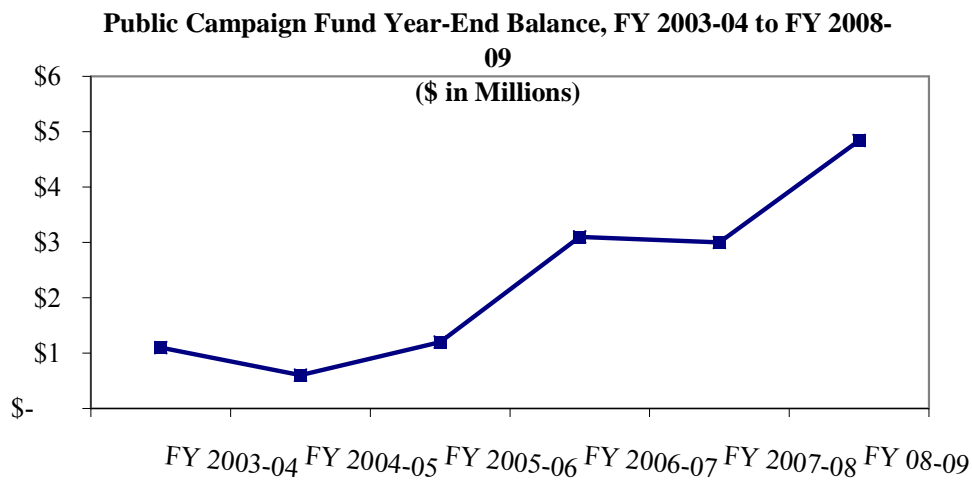
The HAVA funds were originally expected to be exhausted by the end of FY 2005-06 but were subsequently extended to support recurring items. The HAVA funds are currently expected to be available through FY 2009-10. The 2006 Legislature transferred 20 temporary employees to permanent status and funded the positions using MOE funds. Once HAVA funds are expended, the General Assembly may need to revisit future funding of MOE to determine if funds should continue and at what funding level.

State Board of Elections

North Carolina Public Campaign Fund

S.L. 2002-158 (SB 1054) established the North Carolina Public Campaign Fund in G.S. 105-159.2 to provide candidates for the State Supreme Court and Court of Appeals the option of financing their campaigns from a publicly-supported fund. To qualify, participating candidates must abide by strict fund-raising and spending limits. Funding was generated from two sources: a \$50 voluntary contribution from attorneys with payment of the annual attorney privilege license tax and a \$3 voluntary contribution by individual income tax filers as designated on their tax return. S.L. 2005-276 changed the \$50 attorney contribution in G.S. 84-34 to a mandatory surcharge on the annual membership fee of every active member of the North Carolina State Bar on attorneys' annual privilege license fee.

The following chart provides a history of the Public Campaign Fund since FY 2003-04.



Additional Legislation

S.L. 2009-541 (HB 908) ELECTION ADMINISTRATION AMENDMENTS

This act makes various changes to Chapter 163 of the General Statutes related to voting equipment, preparation of ballots, and to the duties of the County Boards of Elections and the State Board of Elections. It also:

- 1) Provides for preregistration of qualified individuals who are sixteen or seventeen years of age;
- 2) Expands instruction on the importance of voting in the high school social studies curriculum;
- 3) Encourages local boards of education to promote registration and preregistration of students;
- 4) Permits the retention of voter registration records in any format approved by the Department of Cultural Resources;
- 5) Designates the voting tabulation districts of North Carolina;
- 6) Clarifies the authority to demand the use of public buildings as one-stop sites;
- 7) Provides for equal treatment of political and commercial expression around a voting place;

State Board of Elections

- 8) Clarifies that seventeen-year-olds may register at early voting sites under the same condition they may register elsewhere;
- 9) Prohibits the awarding of attorneys' fees against the State Board of Elections in election protest cases;
- 10) Requires a public hearing before a local government adopts instant runoff voting;
- 11) Allows the use of the term "ranked choice voting;" and
- 12) Authorizes a study of the process of filling vacancies in local elected offices.



Office of State Budget and Management

Agency Description:

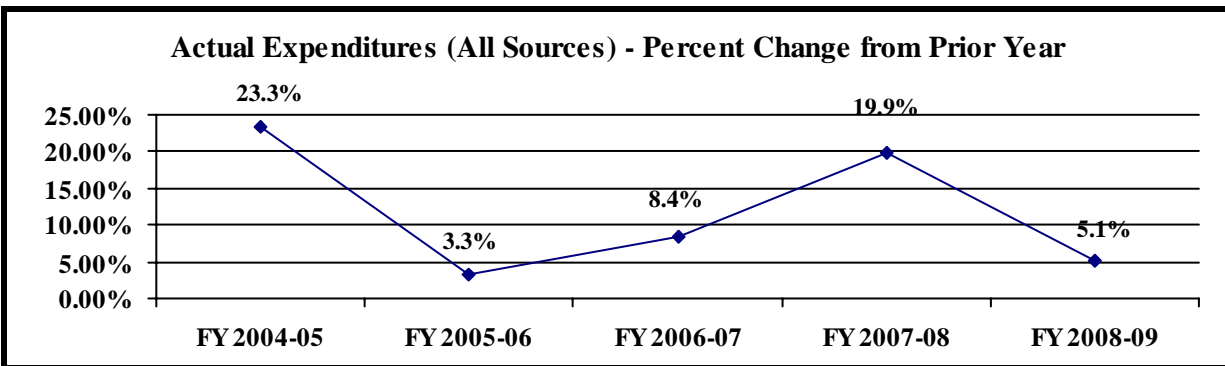
The Office of State Budget and Management (OSBM) provides fiscal advice to the Governor, formulates the recommended State budget, and manages the execution of the legislatively-enacted budget. In addition, OSBM monitors and estimates revenues, produces population estimates and projections, and provides economic and demographic analyses.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	7,163,900	7,531,763	6,824,745	6,730,034
Revenue	1,078,002	813,881	322,225	322,225
Net Appropriations	\$6,085,898	\$6,717,882	\$6,502,520	\$6,407,809
Positions (FTE)	69.00	70.00	66.00	66.00

Budget Overview:

OSBM’s budget is \$6.8 million in FY 2009-10 and \$6.7 million in FY 2010-11. The budgets on average are 10.0% less than FY 2008-09 actual expenditures. Approximately 95.3% of the budget is derived from net General Fund appropriations. The remainder of the budget, 4.7%, is funded from transfers from other State agencies.

Over the last five years, actual expenditures have increased on average 12% annually with peaks in FY 2004-05 and FY 2007-08. The increase in FY 2004-05 actual expenditures was generated by carry forwards, adding receipt-supported positions, and funding for the Base Realignment and Closure Program (BRAC). The FY 2007-08 actual expenditures included \$389,928 transferred from the Department of Transportation to contract with North Carolina State University for a Logistics Study, and expenses for the Internal Audit Section created per S.L. 2007-424 (HB 1401). Additional revenue resulted from the carry forward of \$424,561 for expenditures that included the Reserve for the Rules Impact Review, IT expenses, estimated Worker's compensation, contracts for temporary services, and miscellaneous purchases. In FY 2008-09 the budget increase was due to the additional transfer of \$220,718 to continue the Logistics Study and reimbursement from agencies to support positions that have been transferred to the OSBM.



Office of State Budget and Management

Budget Tables

The following table displays the Office of State Budget and Management’s total General Fund operating budget.

**Office of State Budget and Management
(13005 -General Fund)**

	Certified FY 2009-10	Certified FY 2010-11
	6,824,745	6,730,034
TOTAL	\$6,824,745	\$6,730,034
Revenue	(332,225)	(332,225)
NET GENERAL FUND APPROPRIATIONS	\$6,492,520	\$6,397,809

The following table provides a breakdown of funds* administered by the Office of State Budget and Management, including the General Fund operating budget.

	Certified FY 2009-10	Certified FY 2010-11
Total Appropriation by Fund		
OSBM (13005 - General Fund)	6,824,745	6,730,034
OSBM NC Education Lottery Fund (23003 - Special Revenue Fund)	368,070,208	368,070,208
OSBM NC Education Lottery Reserve (23004 - Special Revenue Fund)	2,594,265	2,594,265
OSBM Fines and Penalties (23005 - Special Revenue Fund)	132,038,000	132,038,000
OSBM Disaster Relief (23009)	6,947,157	6,947,157
TOTAL	\$516,474,375	\$516,379,664

Note:

*Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

State Emergency Response Account (19031)

**Balance: \$11,208,458
(as of June 29, 2009)**

The State Emergency Response Account (Account) is authorized in Article 1 of Chapter 166A of the General Statutes. The Account, enacted during the 2006 Session (S.L. 2006-66, Sec. 6.5), was originally appropriated at \$20 million. The funds are used for State

Office of State Budget and Management

disaster preparation and response in accordance with G.S. 166A-6.02. The following table provides a history of expenditures from the Account.

State Emergency Response Account		
Fiscal Year	Event	Amount
2006-07	Tropical Storm Ernesto	992,141
	Columbus County Tornado	511,541
	Total	1,503,682
2007-08	2007 Hurricane Season Prep.	337,893
	Spruce Pine Fire	39,404
	Taylorsville & Tryon Wind Storm	54,135
	Bertie, Jones & Onslow Tornadoes	110,863
	Evans Road Fire	774,045
	Total	1,316,340
2008-09	Bertie, Jones & Onslow Tornados	44,858
	Evans Road Fire	4,342,188
	January 2009 Winter Storm	11,660
	Swine Flu	95,250
	Tropical Storm Fay	1,552,028
	Wilson/Johnston Tornados	169,737
	Refund from Columbus County	(244,201)
Total	5,971,520	
	GRAND TOTAL	\$8,791,542

Significant Legislative Budget Actions

Office of Economic Recovery & Investment (OERI)

The OERI was originally established during the 2009 Session as part of the Governor's Office. Effective FY 2009-10, the office is moved to OSBM. For additionally information on OERI, see Office of the Governor section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Office of State Budget and Management

Select Programs and Other Budgetary Information

Audits of Non-Governmental Organizations

By State law, Non-Governmental Organizations (NGOs) are required to report certain financial and programmatic information to the State. G.S. 143C-6-23 requires OSBM to adopt rules to ensure the uniform administration of State grants, including the circumstances under which grant funds may be suspended for non-compliance.

In FY 2007-08, State agencies reported on \$697 million in total grants to NGOs. During FY 2007-08, the Department of Health and Human Services distributed 32 percent of the total grant funds to NGOs, more than any other State agency. An audit of NGOs in 2008 found the number of noncompliant NGOs had increased from the previous year, from 12.5 percent to 18.1 percent. Grant funding to noncompliant NGOs in 2008 accounted for 4.2 percent or \$29.3 million of total grant funds, an increase compared to 0.4 percent in 2007.

Additional Legislation

No relevant information to report.

OSBM-Special Appropriations

G.S. 58-85A.1 Creation of Fund; allocation to local fire districts and political subdivisions of the State

Agency Description:

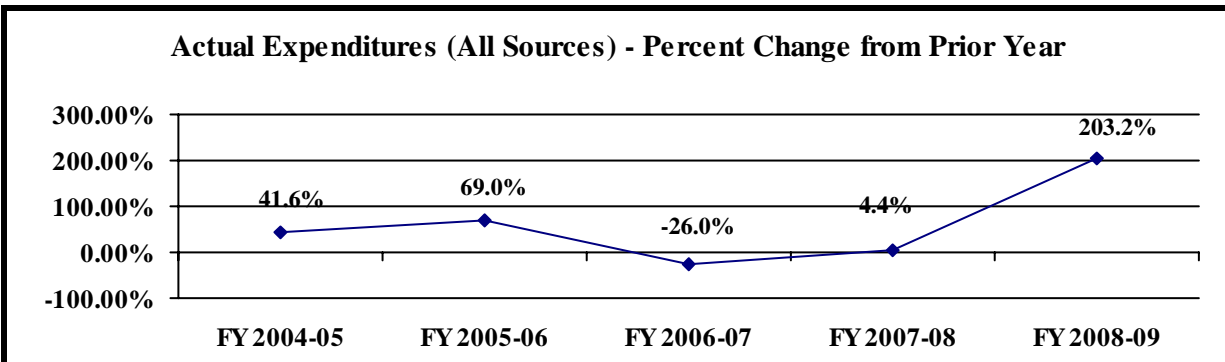
This budget, administered by the Office of State Budget and Management, is used as a pass-through account to transfer State funds to local governments, nonprofits, or the federal government, and to establish reserves for special funding to State agencies. The budget includes three types of transfers, including transfers for Special Appropriations, to the Fire Protection Grant Fund, and to Reserves/Transfers. The Reserve for Special Appropriations includes appropriations to specific organizations or governmental entities by the General Assembly.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	7,930,274	24,046,944	7,809,165	5,503,825
Revenue	3,957,206	4,938,053	1,342,700	1,342,700
Net Appropriations	\$3,973,068	\$19,108,891	\$6,466,465	\$4,161,125
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

The OSBM-Special Appropriations budget is \$7.8 million in FY 2009-10 and \$5.5 million in FY 2010-11. The budget includes receipts to the Fire Protection Grant Fund from transfers from the Highway Trust Fund and the University of North Carolina to pay for the cost to protect its State facilities, and from insurance premiums. The receipts represent 24.3% of the total expenditures from the Fire Protection Grant Fund.

Over the last five years, actual expenditures have increased on average 58.4% annually. The amount of actual expenditures varies by year based upon the amount appropriated for special projects, the Fire Protection Grant Fund, and the amount placed in reserves. The Fire Protection Grant Fund increased three times in the last five years. It increased \$800,000 in FY 2005-06 (recurring), \$300,000 in FY 2007-08 (nonrecurring) and \$300,000 in FY 2008-09 (recurring). The Reserve for Special Appropriations has experienced significant changes, shifting from \$2.2 million in FY 2004-05, to \$5.2 million in FY 2005-06, to \$100,000 in FY 2006-07 and FY 2007-08, to \$15.6 million in FY 2008-09. The latter increase was due to the \$15 million appropriation for the State Veterans Park.



OSBM-Special Appropriations

Budget Tables

The following table provides a breakdown of the Special Appropriations budget housed administratively in the Office of State Budget and Management.

Special Appropriations (13085 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
Special Appropriations	1,536,465	36,465
Fire Protection Grant Fund	5,522,700	5,467,360
Reserves and Transfers	750,000	0
<hr/>		
TOTAL	\$7,809,165	\$5,503,825
Revenue	(1,342,700)	(1,342,700)
NET GENERAL FUND APPROPRIATIONS	\$6,466,465	\$4,161,125

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

Fire Protection Grants

The Fire Protection Grants program, authorized in G.S. 58-85A.1, is a grant-in-aid program for local fire districts providing fire protection services for State-owned property. Due to budget adjustments in the 2009 Session, grant funding was reduce \$55,340 in FY 2010-11, leaving a total budget of \$4.1 million each year. (See **Annotated Conference Report, General Government section, item 84.**)

(Additional information is included under “Select Programs and Other Budgetary Information.”)

Military Morale, Recreation, and Welfare Fund

For the fifth consecutive year the General Assembly appropriated nonrecurring funding to the Military, Morale, Recreation, and Welfare Fund. The \$750,000 appropriation for FY 2009-10 is to be distributed to each military installation’s federal Morale, Recreation, and Welfare Fund on a per capita basis. Since FY 2006-07, a total of \$7.5 million has been appropriated for this purpose. (See **Annotated Conference Report, General Government section, item 87.**)

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

OSBM-Special Appropriations

Select Programs and Other Budgetary Information

Fire Protection Grants

Established in 1983, the Fire Protection Grant Fund is authorized via G.S. 58-85A.1., to compensate local fire departments for providing fire protection for State-owned facilities within their districts. Every other year, the Office of State Budget and Management and the Department of Insurance update the property values of State facilities and add newly-acquired or -constructed facilities. This biennial appraisal is used to modify the amount of State Fire Protection Grants provided to local fire departments.

The program received \$300,000 recurring in FY 2008-09 for a total of \$5.7 million, which includes \$1.5 million in transfers from the Highway Trust Fund and from University of North Carolina receipts. Currently up to \$4,180,000 is available for protection of property supported by the State General Fund; up to \$158,000 is available for protection of property supported by the Highway Fund; and up to \$1,345,000 is available for protection of property supported by University of North Carolina receipts.

Grants for FY 2008-09 were awarded to 458 fire departments based on \$0.000255 per dollar of property value protected, with a \$50 minimum. Currently, grants range from \$50.00 to \$1,273,288. Of the 272 fire departments that receive grants less than \$1,000, 52 will receive the minimum amount of \$50. The payment factor can vary each biennium depending upon the actual cash value of State property and the total appropriation available.

Additional Legislation

No relevant information to report.

Office of the State Controller

G.S. 143B-426.39 Powers and duties of the State Controller

Agency Description:

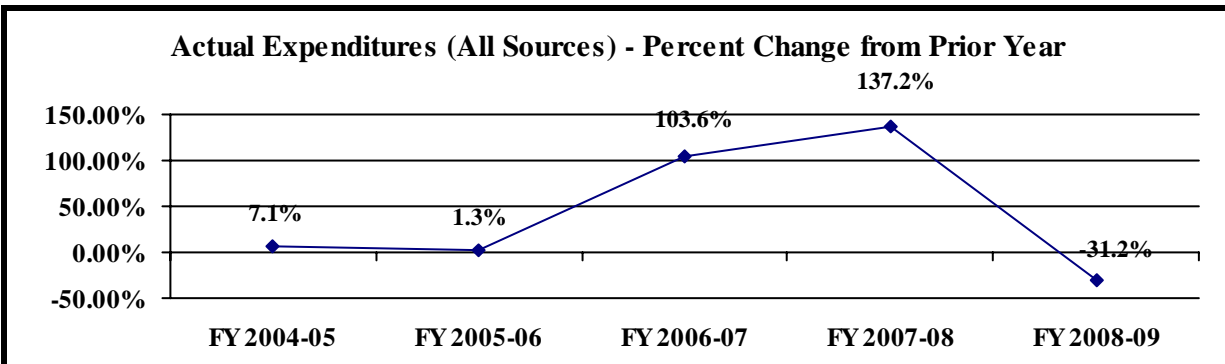
The State Controller is appointed by the Governor and confirmed by the General Assembly to maintain the State accounting system and administer the State disbursing system in an independent manner. The Office of the State Controller provides financial management services to State agencies, ensuring that State funds are spent, accounted for, and reported consistent with national accounting standards. The Office acts as the business office for the State of North Carolina, overseeing functions related to financial accounting, cash management, payroll, and other business-related activities. The Office develops, manages, and operates the computer systems necessary to meet these business requirements.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	48,982,375	33,721,543	23,987,490	24,043,896
Revenue	1,172,494	1,055,999	855,689	855,689
Net Appropriations	\$47,809,881	\$32,665,544	\$23,131,801	\$23,188,207
Positions (FTE)	204.50	204.50	193.00	198.00

Budget Overview:

The budget for the State Controller is \$24.0 million in both FY 2009-10 and FY 2010-11. The budget on average is 28.8% less than FY 2008-09 actual expenditures. The Department received \$600,000 in recurring funds to add personnel for Building Enterprise Access for North Carolina’s Core Operations Needs (BEACON) in FY 2010-11. Approximately 3.6% of the Controller’s budget is generated by revenues, primarily from registration fees.

Over the last five years, actual expenditures have increased on average 43.6% annually. The Controller’s budget and staffing levels significantly increased since FY 2005-06 due to the BEACON project. Detailed information on the BEACON project appears under the “Select Programs and Other Budgetary Information” section. The FY 2007-08 actual expenditure is an increase due to additional non-recurring funds for the BEACON project. This increase to the budget was minimized with the 31.2% reduction in FY 2008-09.



Office of the State Controller

Budget Tables

The following table displays the Office of the State Controller’s total General Fund operating budget.

State Controller (14160 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
	23,987,490	24,043,896
TOTAL	\$23,987,490	\$24,043,896
Revenue	(855,689)	(855,689)
NET GENERAL FUND APPROPRIATIONS	\$23,131,801	\$23,188,207

The following table provides a breakdown of funds* administered by the Office of the State Controller, including the General Fund operating budget.

Total Appropriation by Fund	Certified FY 2009-10	Certified FY 2010-11
Controller (14160 - General Fund)	23,987,490	24,043,896
OSC Special Revenue (24160 - Special Fund)	18,190,576	7,028,289
TOTAL	\$42,178,066	\$31,072,185

Note:

*Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Office of the State Controller

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section and the Information Technology Services section.

Select Programs and Other Budgetary Information

HR/Payroll Enterprise Resource Planning (ERP) System (formerly known as The BEACON Project)

S.L. 2001-491, Section 17.1, authorized the Office of the State Controller to conduct a feasibility study of the State's business infrastructure and recommend a process for improving and upgrading existing systems. Based upon this study, a phased approach was adopted to replace those systems at greatest risk of failure. The 2004 General Assembly authorized the first phase of the Building Enterprise Access for North Carolina's Core Operations Needs (BEACON) project known as the State's HR/Payroll ERP system.

BEACON was first funded in the 2005 budget as part of the State Business Infrastructure Project authorized by S.L. 2004-129. The project was developed in three phases.

- Phase I replaced three independent, aging HR/Payroll systems with one modern consolidated system, streamlined HR and Payroll functions within State agencies, and allowed State employees to access and change their HR information via the web with General Fund appropriations of \$73.9 million through FY 2007-08.
- Phase 2 implemented the E-Recruitment and Learning Solutions/Training Management modules with an appropriation of \$7.4 million from Highway Fund receipts in FY 2007-08.
- Phase 3 was also funded with Highway Fund receipts of \$1.5 million in FY 2007-08 to support the planning stage for additional budget preparation, budget reporting, cash management, and accounting systems modules.

In December 2007, BEACON became operational for temporary employees and the Department of Transportation. An additional seven agencies were added in January 2008 and the remaining agencies transferred to BEACON in April 2008. The State's HR/Payroll ERP system currently pays in excess of 100,000 permanent and temporary State employees in 37 agencies each month.

Total project implementation costs were \$94,733,314 for the 44-month project. As the project was 11.7 percent under budget, additional enhancements included in the \$94.7 million were added above and beyond the original project scope. These enhancements, such as the Federated Portal, a transparent, behind the scenes load balancing tool that increases efficiency and system response time and availability during peak load period, are considered a "best in breed" model by ERP system standards. Current operations and maintenance (O&M) to support the HR/Payroll ERP system are estimated at just over 14 percent of the total project costs or \$14.1 million per year. Typical operations and maintenance support for a system this size run at 17 percent to 20 percent. The goal of OSC is to acquire permanent FTE to support the system's operation. Nineteen FTE were requested through the expansion budget process in the 2009 Session. However, due to the fiscal constraints, the General Assembly only appropriated

Office of the State Controller

funding for 5 positions to be employed in FY 2010-11. (See Annotated Conference Report, General Government section, item 91.)

Additional phases or systems to replace and improve were identified in the original feasibility study including modules for Training/Events Management, E-recruitment, and budgeting and financials. However, due to funding limitations and associated implementation costs, these initiatives are currently on hold and replacements of these systems and processes, such as job applicant tracking, applicant and employee qualifications, course registration/scheduling and tracking, budgeting, accounts receivable, equipment tracking, and grants management will be evaluated at a later date.

Additional Legislation

No relevant information to report.

Department of State Treasurer

NC Constitution, Art. III, Section 7 Other elective officers

Agency Description:

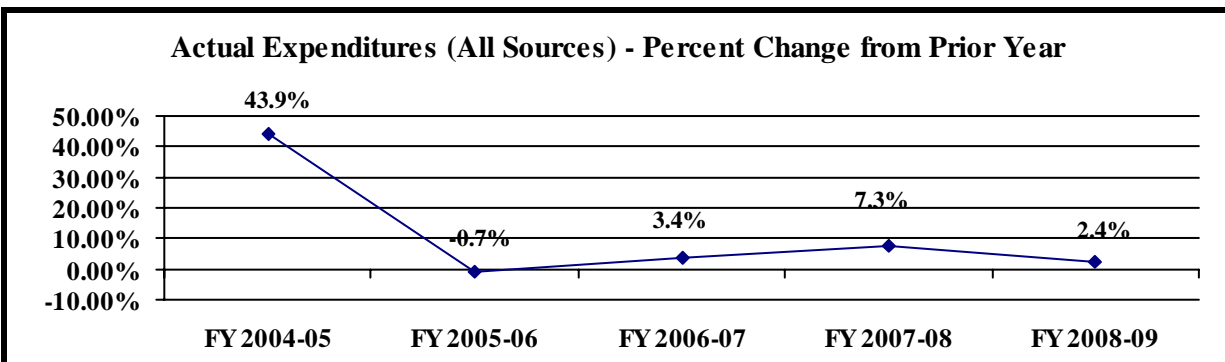
The State Treasurer is an elected official and member of the Council of State. The Department of State Treasurer manages the State’s investment and banking services for all State agencies and institutions and oversees the issuance and repayment of all State and local debt. The Department administers the Teachers’ and State Employees’, Local Government Employees’, Consolidated Judicial, and Legislative Retirement Systems, and nine other benefit programs. In addition, the Department oversees and maintains the State’s database of unclaimed property.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	45,308,532	46,379,678	49,166,578	48,852,922
Revenue	36,058,193	37,320,085	31,408,013	31,287,522
Net Appropriations	\$9,250,339	\$9,059,594	\$17,758,565	\$17,565,400
Positions (FTE)	347.94	357.94	353.94	352.94

Budget Overview:

The budget for the State Treasurer is \$49.2 million in FY 2009-10 and \$48.9 million in FY 2010-11, which are on average 5.7% more than FY 2008-09 actual expenditures. This increase is due to the transfer of the National Guard Pension Fund. Approximately 64% of the Treasurer’s budget is generated by receipts with the remaining funds derived from net General Fund appropriations. Four divisions are fully receipt-supported: General Administration, Escheats, Information Technology, and Retirement. The Financial Services, Investment, and Local Government divisions are partially receipt-supported. Each receipt-based division is charged a proportion of the cost to operate the IT and General Administration divisions and the portion of costs accrued to the Financial Services Division to administer the Department’s budget. Retirement and Escheats functions are supported by the funds each division administers.

Over the last five years, actual expenditures have increased on average 11.3% annually. Changes in the Department’s budget from FY 2004-05 through FY 2007-08 reflect the increased requirements and receipts from the Retirement Division for the three-year funding to design, build, and implement the Online Retirement Benefits through Integrated Technology System (ORBIT).



Department of State Treasurer

Budget Tables

The following table provides a breakdown of the Department of the State Treasurer's total General Fund operating budget by division.

State Treasurer (13410 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
General Administration	1,489,617	1,489,291
Escheat Fund Administration	2,982,009	2,984,042
Information Services	7,137,395	7,145,069
Investment Management	4,281,629	4,195,145
Local Government Operations	4,312,516	4,221,556
Retirement Operations	24,321,554	24,187,854
Financial Operations	4,641,858	4,629,965
TOTAL	\$49,166,578	\$48,852,922
Revenue	(31,408,013)	(31,287,522)
NET GENERAL FUND APPROPRIATIONS	\$17,758,565	\$17,565,400

The following table provides a breakdown of the funds* administered by the Department of State Treasurer, including the General Fund budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
State Treasurer (13410 - General Fund)	49,166,578	48,852,922
Health & Wellness Trust Fund (23460 - Special Fund)	25,779,134	25,779,134
Escheats (63412 - Special Fund)	66,686,902	66,686,902
Drinking Water Rept. 1999C (68126 - Enterprise Fund)	111	111
Interest Wastewater Rept. 1999C (68128 - Enterprise)	220	220
Interest Clean Water Revolving Loans (68132 - Special Revenue Fund)	1,563	1,563
Int Wastewater Repayment 2003A (68133 - Special Revenue Fund)	26,571	26,571
Interest Drkwtr Repayment 2003A (68137 - Enterprise)	8,566	8,566
2003B Interest Clean Water (68140 - Special Revenue)	22,260	22,260
Interest Waster Rept 2003B (68141 - Enterprise Fund)	22,670	22,670
2003B Interest Drkwtr. (68142 - Enterprise Fund)	11,217	11,217
Interest Clean Water Revolving Loan 2004A (68148 - Special Revenue Fund)	734,122	734,122
Interest Wastewater Repayment 2004A (68149 - Enterprise Fund)	62,265	62,265
Interest Drinking Water 2004A (68150 - Enterprise)	23,219	23,219



Department of State Treasurer

Interest Public Imp. 2005A (68154 - Special Revenue)	34,260,718	34,260,718
Interest 2006A Clean Water (68157 - Special Revenue)	1,870,388	1,870,388
Interest 2006A Higher Ed (68158 - Special Revenue)	19,196,825	19,196,825
Interest CI 1997 Series A (68174 - Special Revenue)	290,480	290,480
Interest Public School 1997 Bond (68175 - Special Revenue Fund)	2,283,445	2,283,445
Interest Clean Water Bond 1999C (68183 - Special Revenue Fund)	59	59
Interest Higher Ed. CC2001A (68188 - Special Revenue Fund)	3,048,744	3,048,744
Interest Public Improvement Bond (68190 - Special Revenue Fund)	11,316,446	11,316,446
Interest Drkwtr. Repyt. 2002C (68192 - Special Revenue Fund)	328	328
Interest Clean Water 2002C (68193 - Special Revenue)	19,472	19,472
Interest Wastewater Repayment 2002 (68198 - Special Revenue Fund)	971	971
Interest 2007A GO Pub. Imp. (68220 - Special Revenue)	20,240,010	20,240,010
Debt Service Clearing (69430 - Special Revenue Fund)	604,537,949	604,537,949
Infrastructure Finance Corp. (69440)	76,982,742	76,982,742
Trust Special (69444 - Special Revenue Fund)	318,444,969	318,444,969
Basis SWAP (69450 - Special Revenue Fund)	5,836,628	5,836,628
TOTAL	\$1,240,875,572	\$1,240,561,916

Note:

*Total Appropriations by Fund as presented reflects only those funds as certified by the Office of State Budget and Management.

Other Funds**Escheat Fund (63412)**

Balance: \$577,673,089
(as of June 29, 2009)

The 1979 General Assembly authorized the creation of the Escheat Fund for unclaimed property transferred to the State since June 30, 1971 (G.S. 116B-5). The Department of State Treasurer maintains an online database listing owners of unclaimed property. Funds in the account are invested, and the interest earned is sent to the State Education Assistance Authority (SEAA) on or before July 15 of each year to fund student loans and grants to need-based students who attend any of the State's public universities or community colleges. The Department of Administration, through its Scholarships for Children of War Veterans' program, is reimbursed from the fund for the portion of scholarships that are awarded for need-based students who attend a State public university or community college. Qualifying children

Department of State Treasurer

of deceased, disabled, combat, or POW/MIA veterans are eligible for the Veterans' Scholarship Program.

In FY 2003-04, the General Assembly authorized the use of the Fund's principal for the first time, appropriating funds for student aid to community colleges and for the Veterans' Scholarship Program. In FY 2004-05 the General Assembly expanded the use of the Fund's principal for student aid to the UNC system and then again in FY 2006-07 for students in the State's foster care system, the newly established Child Welfare Postsecondary Support Program.

The continued use of the Escheats Fund has raised concerns about the Fund's overall structure and sustainability as well as the negative impact on investment returns and potential liquidation of the Fund's long-term assets. At the current rate of utilization of the corpus, the Fund is projected to be depleted in approximately 2-2 ½ years. In addition to the risk of having inadequate funds for student loans and grants, the State is liable for claims made for payment from the Escheat Fund per G.S. 116B-6(g). To address the concerns, the Education Access Rewards North Carolina Scholars Fund (EARNs) was modified and reduced in FY 2009-10, funding is completely eliminated for FY 2010-11. (S.L. 2009-451, Sec. 9.2) The following three tables detail the Fund's revenues and expenditures:

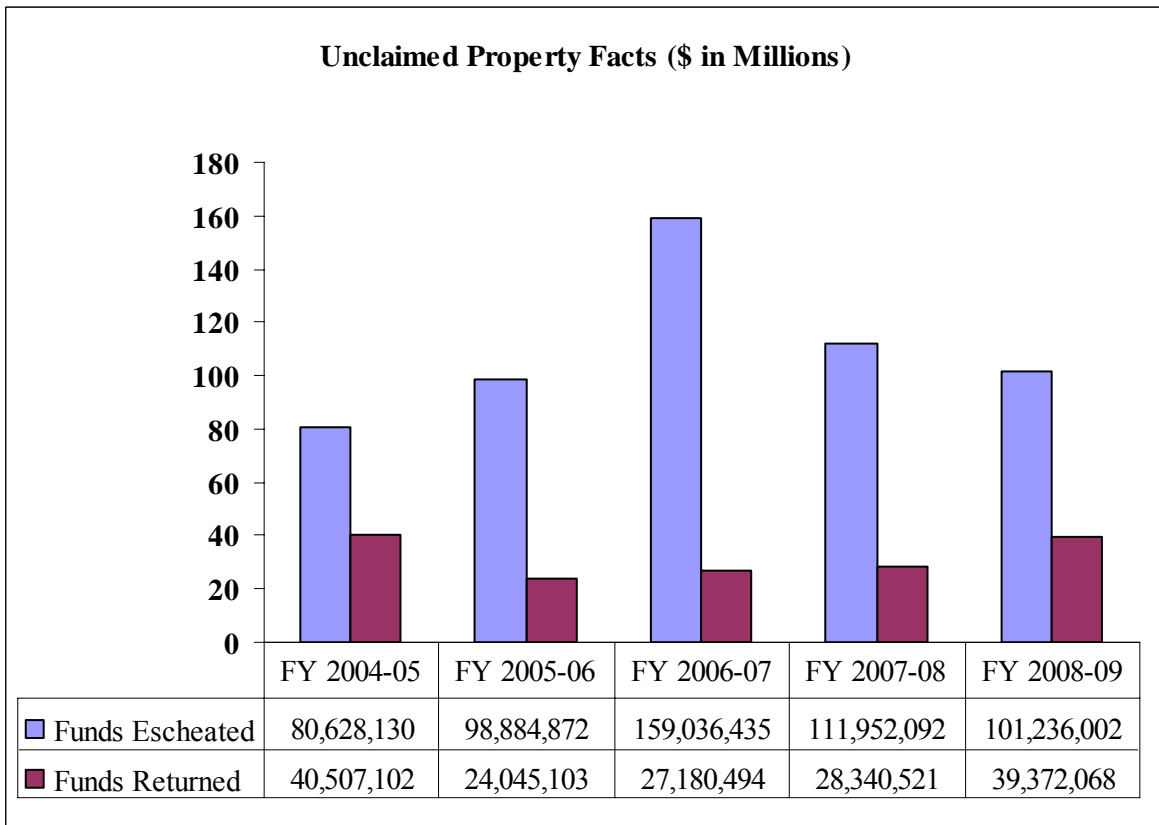
Escheat Fund: Interest and Principal Used FY 2003-04 - FY 2008-09

Fiscal Year	Interest		Principal			TOTAL
	SEAA	UNC	Comm. Coll.	Veterans	Subtotal	Student Aid
2003-04	36,356,125	0	1,450,000	3,728,324	5,178,324	41,534,449
2004-05	27,255,262	16,394,115	10,981,202	3,903,324	31,278,641	58,533,903
2005-06	24,726,366	39,992,754	13,981,202	4,297,544	58,271,500	82,997,866
2006-07	22,730,705	42,911,650	13,981,202	5,568,222	62,461,074	85,191,779
2007-08	27,483,812	80,499,521	13,981,202	6,228,633	100,709,356	128,193,168
2008-09	6,365,997	147,334,404	13,981,202	6,918,633	1,316,210	175,916,447

Source: Department of the State Treasurer

Note: The Escheat Fund awarded \$24.7 million in FY 2005-06, \$22.7 million in FY 2006-07, \$27.5 million in FY 2007-08, and \$6.4 million in FY 2008-09 in interest earnings to the SEAA. It returned \$24 million in FY 2005-06, \$27.2 million in FY 2006-07, \$28.3 million in FY 2007-08, and \$39.4 million in FY 2008-09 in unclaimed property.

Department of State Treasurer



The table that follows provides the history of appropriations from the Escheat Fund principal.

Escheat Fund: Principal Transferred for Scholarship Programs

	FY 06-07	FY 07-08	FY 08-09	Projected		
				FY 09-10	FY 10-11	FY 11-12
UNC System, Need-based Aid	42,911,650	79,329,522	97,334,404	123,641,040	123,641,040	123,641,040
UNC, Need-based Aid, Millennium	0	0	0	0	1,157,000	1,157,000
Governor's EARN Scholars	0	0	50,000,000	37,489,000	0	0
Community Colleges	13,981,202	13,981,202	13,981,202	13,981,202	13,981,202	13,981,202
Child Welfare Postsecondary Support	0	0	1,316,210	3,168,250	0	0
DOA Veteran's Scholarship Fund	5,568,222	6,228,633	6,918,633	6,520,964	6,520,964	6,520,964
TOTAL	62,461,074	99,539,357	169,550,449	184,800,456	145,300,206	145,300,206

Department of State Treasurer

Actual and Projected Fund Balance, FY 2006-07 to FY 2011-12

	06/30/2007	06/30/2008	06/30/2009	Projected		
				06/30/2010	06/30/2011	06/30/2012
Cash invested in STIF	286,785,787	240,078,334	234,259,428	53,250,944	0	0
Investments	419,925,575	448,884,128	280,487,220	280,487,220	122,004,357	(28,115,021)
Escheat Fund Collections	Included in other categories			100,500,000	100,500,000	100,500,000
Global Transpark						
Authority Loan	32,062,906	33,933,088	35,421,127	37,151,397	38,881,667	40,611,937
Administrative Expenses	Included in other categories			(2,500,000)	(2,500,000)	(2,500,000)
Accounts Payable	(10,938)	(849)	(30,939)	(849)	(849)	(849)
Escheat Claims Payable	(26,599,000)	(26,218,000)	(28,516,000)	(36,017,817)	(41,278,203)	(47,306,866)
Interest due to SEAA *	(22,730,705)	(27,483,812)	(6,365,997)	(13,182,657)	(4,819,172)	0
Deferred Revenue	(3,173,607)	(10,384,639)	(15,594,996)	(12,500,000)	(12,500,000)	(12,500,000)
Ending Fund Balance	686,260,019	658,808,250	499,659,844	407,188,237	200,287,799	50,689,200

*\$0 due to SEAA indicates that expenses exceed income for the year.

Retirement System Trust Funds

The State Treasurer administers the trust funds for the State's major governmental retirement systems. The information below represents the total availability of each trust fund, including investments and ending cash balance, as of June 29, 2009; and the actual funds received and paid during FY 2008-09:

Teachers and State Employees' System (63423)

Balance: \$45,278,615,234

Established by G.S. 135-2, and effective since July 1, 1941. The Teachers' and State Employees' Retirement Fund received \$492,688,668 in employer contributions and \$866,208,667 in employee contributions and paid out \$3,081,348,960 in pensions in FY 2008-09.

Consolidated Judicial System (63425)

Balance: \$358,201,560

Established by G.S. 135-52 and effective since January 1, 1974. The Judicial Fund received \$10,603,407 in employer contributions and \$4,220,795 in employee contributions and paid out \$27,698,744 in pensions in FY 2008-09.

Local Governmental Employees' System (63426)

Balance: \$14,308,712,097

Established by G.S. 128-22 and effective since the passage of S.L. 1939-390. The Local Government Employees' Retirement Fund received \$271,362,679 in employer contributions

Department of State Treasurer

and \$326,309,109 in employee contributions and paid out \$755,196,270 in pensions in FY 2008-09.

National Guard Pension Fund (63430)

Balance: \$64,722,804

Established by G.S. 127A-40, and effective since July 1, 1974. The National Guard Pension Fund received \$5,891,793 in contributions transferred from the Department of Crime Control and Public Safety and paid out \$6,048,544 in pensions in FY 2008-09.

Legislative Retirement System (63431)

Balance: \$24,775,998

Established by G.S. 120-4.9 and effective since October 1, 1983. The Legislative Retirement Fund received \$0 in employer contributions and \$258,335 in employee contributions and paid out \$1,930,283 in pensions in FY 2008-09.

Registers of Deeds Supplemental Pension Fund (63432) Balance: \$35,822,050

Established by G.S. 161-50, effective since October 1, 1987. The Registers of Deeds Fund received \$753,916 in employer contributions and paid out \$1,436,808 in pensions in FY 2008-09.

In addition to various retirement-related trust funds, the Treasurer is responsible for the investments of other funds as described below.

Health and Wellness Trust Fund (23460)

**Balance: \$64,050,074
(as of June 29, 2009)**

S.L. 2000-147 created the Health and Wellness Trust Fund (HWTF) to invest in programs that address the health needs of the State's vulnerable and underserved populations; to fund health-related research, prevention, education, and treatment programs; and to develop a community-based plan to prevent and reduce the health effects of tobacco use, particularly among youth (G.S. 147-86.30 Health and Wellness Trust Fund established). Per G.S. 147-86.30, the Fund also pays the debt service for certain State health-related facilities. Grants are administered and awarded by the HWTF Commission, an 18-member board administratively located within the Department of State Treasurer.

Funds are derived from payments made by North Carolina-based tobacco companies, as part of a 1999 final consent decree commonly referred to as the Master Settlement Agreement (MSA). The Fund received a total of \$47 million in MSA revenue and interest payments and expended \$60.2 million during FY 2008-09. From 2002-2009, a total of \$147.3 million was diverted from the Fund to increase the State's General Fund resources, including covering revenue shortfalls. For additional information, please see the Health and Human Services section.

Department of State Treasurer

Debt Service, Interest, and Bond Repayment Funds

Balance: \$748,255,764
(as of June 29, 2009)

The Department maintains several funds use to pay debt service and account for interest associated with the issuance of bonds for capital projects. Included are funds for interest from public bonds, such as clean water or public school bonds, totaling \$11,153,676; and debt service totaling \$737,102,088.

Significant Legislative Budget Actions

Online Retirement Benefits through Integrated Technology (ORBIT)

The General Assembly appropriated an additional \$757,652 recurring and \$958,275 nonrecurring for the 2009-11 Biennium to support maintenance of software and hardware. The source of funding is the administrative allowance available to the Department from the Teachers' and State Employees' Retirement Fund. See Annotated Conference Report, General Government section, item 99.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

General Fund Reimbursement

The General Fund receives a reimbursement from Investment Income for any State appropriations to the Investment and Financial Services Divisions (G.S. 147-68.1 and G.S. 147-69.3). The General Fund also receives a reimbursement from local sales tax collection for any State appropriation made to the State and Local Government Finance Division (G.S. 105-501).

Online Retirement Benefits through Integrated Technology (ORBIT)

The Retirement Systems Division administers the Online Retirement Benefits through Integrated Technology (ORBIT) system. ORBIT replaced six mainframe applications to provide an integrated information-technology system for the State's retirement plans. ORBIT allows members and retirees online access to retirement account information.

Since the 2003 Session, the General Assembly has authorized the use receipts for administration of the Retirement System to support expenditures related to the planning, development, and implementation of the ORBIT system. With additional receipts earmarked for the 2009-2011 Biennium, a total of \$32,983,352 (recurring and non-recurring) is authorized for software maintenance and hardware to complete

Department of State Treasurer

transition of the new system. Additional non-recurring funding needs are anticipated through FY 2015-16 to support vendor costs. Receipts are generated from the funds administered by the Division.

ORBIT Funding History

FY 2003-04	2,741,500
FY 2004-05	11,594,546
FY 2005-06	8,517,136
FY 2006-07	5,650,121
FY 2007-08	799,037
FY 2008-09	1,955,433

TOTAL \$31,257,773

Additional Legislation

S.L. 2009-98 (SB 703) STATE TREASURER INVESTMENTS

This act makes various changes to G.S. 147-69.2 including the following:

- Permits the State Treasurer to invest in obligations of any company, other organization or legal entity, including obligations that are converted into equity securities, or asset-backed securities, if the obligation or security, when acquired, bears one of the four highest ratings of at least one nationally recognized rating service;
- Permits the State Treasurer to invest in asset-backed securities under the same requirements listed above;
- Requires the State Treasurer to select investments of the assets of the Retirement Systems such that investments at all times equal or exceed 20 percent of the market value of all invested assets of the Retirement Systems;
- Permits certain investments to be made directly by the State Treasurer or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements;
- Permits assets to be invested in obligations and debt securities that do not meet the requirements of subsection (3), provided such investments are made through certain specified entities or investment vehicles that invest primarily in investments made through companies registered under the Investment Company Act of 1940, and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements;
- Permits assets in specified retirement systems to be invested in equity securities trades on a public securities exchange or market organization and regulated pursuant to the laws of the jurisdiction of such exchange or market, and permits investment of these assets through certain specified entities by an investment manager;
- Permits the State Treasurer to directly invest certain assets in any equity securities represented in the S&P 500 Index;
- Permits investment of certain specified assets in additional types of investments that are required for the primary purpose of providing protection against risks associated with inflation if specified conditions are met; and

Department of State Treasurer

- Permits the State Treasurer to use fees associated under these sections to defray the cost of administering investments.

S.L. 2009-177 (HB 723) ELECTRONIC REPORTING OF ABANDONED PROPERTY

This act requires property holders reporting 50 or more property owner records to file the report to the State Treasurer in a certain electronic format, and allows holders reporting less than 50 property records to have the option to file the report electronically. Holders reporting electronically are allowed to file an electronically signed affidavit in order to comply with the requirements of the reporting statute.

S.L. 2009-209 (HB 1508) TWO-THIRDS BONDS ACT OF 2008

This act allows additional general obligation bonds to be issued to finance the costs of the biomedical research imaging center while repealing the statutory appropriation for the center. Bonds are also allowed to be issued for repairs and renovations of State facilities. Additionally, this law provides authority for the State to select the appropriate form of debt to issue in order to finance various projects and reduce the special indebtedness authorizations for various projects in order to generate additional debt capacity. Refer to summary in Capital section.

S.L. 2009-283 (SB 691) TAX INFO DISCLOSURE TO STATE TREASURER

This act permits the disclosure of certain tax information of local governments to the Department of State Treasurer and enacts the Treasurer's Governance and Transparency Act of 2009" as follows:

- Allows the Department of State Treasurer to access certain information about local governments' tax filings as it pertains to auditing and determining local governments' compliance with the Local Government Finance Act.
- Increases the size of the Investment Advisory Committee by adding two additional members selected from the general public to create a Committee of seven members total, and makes clarifying changes.
- Amends State law to create G.S. 147-69.7, which specifies circumstances the Treasurer must consider when investing and managing the assets of the Retirement System and lists specific additional responsibilities.
- Enacts a new section, G.S. 147-69.8, which requires that whenever the General Assembly broadens the investment authority of the Treasurer as to the General Fund, the Retirement System, or any idle funds, the Treasurer must report annually to the General Assembly the details of the investments made under the new authority. The report is required to be made during the first six months of each calendar year, covering performance in the prior calendar year. As to each type of new investment authority, the report shall be made for at least four years. This law became effective on July 1, 2009.

S.L. 2009-312 (SB 1021) PROPERTY FINDERS

This act makes various clarifying changes to current law and adds deadlines to the requirements of the State Treasurer to prepare a list of escheated and abandoned property owners and annually submit the list electronically to the Administrative Office of the Courts for distribution to the clerks of Superior Court as soon after June 30 of each year but no later than July 31. The Administrative Office of the Courts is required to distribute the list to the clerks of Superior Court no later than August 31. Additionally, the act makes clarifying and regulatory changes intended to protect owners of abandoned property by regulating property finders.

Department of State Treasurer

S.L. 2009-378 (SB 658) MODIFY SUPPLEMENTAL RETIREMENT BOARD/FURLOUGHS

See Salaries and Benefits section of this document.

Treasurer - Retirement for Fire and Rescue Squad Workers

G.S. 58-86.1. Fund established; administration by board of trustees; rules and regulations.

Agency Description:

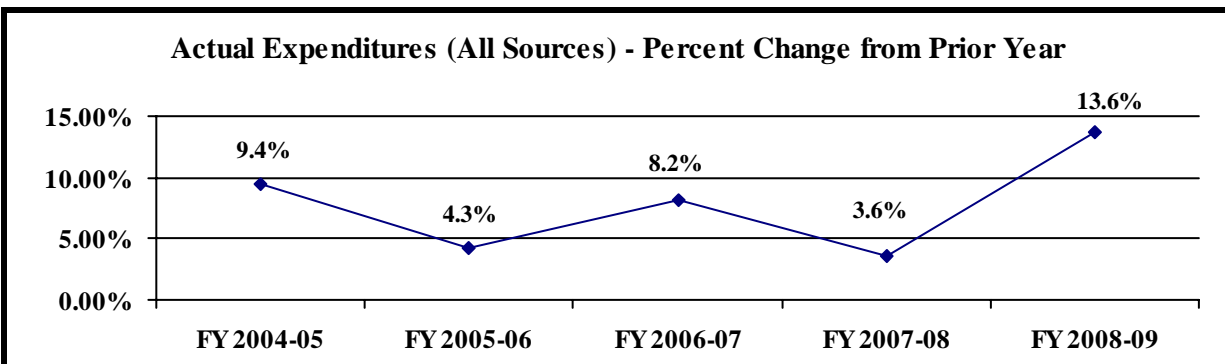
This budget code includes General Fund appropriations to the Fire Pension Fund, the Rescue Squad Workers' Fund, and for death benefits for officers who died in the line of duty.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	9,253,957	10,516,808	17,812,114	17,812,114
Revenue	0	0	0	0
Net Appropriations	\$9,253,957	\$10,516,808	\$17,812,114	\$17,812,114
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

Retirement benefits administered through this budget are \$10.8 million each year of the 2009-11 Biennium. The amount of actual expenditures is typically increased to reflect legislative increases to the monthly pension benefit for retirees and future retirees of the Fire and Rescue Squad Workers' Funds or to adjust for changes in the number of line-of-duty deaths. The budgets for FY 2009-10 and FY 2010-11 include the \$7 million National Guard Pension Fund transferred from the Department of Crime Control and Public Safety to the Department of State Treasurer. Detailed information on the transfer is in the "Annotated Conference Report" at the end of this section.

Over the last five years, actual expenditures have increased on average 7.8%. The monthly benefit for the fire and rescue squad workers increased \$2 in FY 2005-06, FY 2006-07, and FY 2007-08, and increased \$3 in FY 2004-05 and FY 2008-09.



Treasurer – Retirement for Fire and Rescue Squad Workers

Budget Tables

The following table provides a breakdown of the Firemen’s and Rescue Squad Workers’ Pension Fund budget, including three retirement funds and a fund for line-of-duty death benefits.

Fire and Rescue Fund (13412 - General Fund)	Certified FY 2009-10	Certified FY 2010-11
Contribution to Fire Pension	8,938,620	8,938,620
Contribution to Rescue Squad Workers	1,141,051	1,141,051
Line-of-Duty Death Benefits	725,000	725,000
National Guard Pension	7,007,443	7,007,443
TOTAL	\$17,812,114	\$17,812,114
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$17,812,114	\$17,812,114

Other Funds

Firemen’s Pension (63434) **Balance: \$235,208,818**
(as of June 29, 2009)

Rescue Squad Workers’ Pension (63435) **Balance: \$28,312,680**
(as of June 29, 2009)

Line of Duty Death Benefits (13412) **Balance: \$40,000**
(as of June 29, 2009)

National Guard Pension (63430) **Balance: \$64,722,804**
(as of June 29, 2009)

The Department of State Treasurer maintains the Firemen’s and Rescue Squad Workers’ Pension Fund, established by G.S. 58-86. The Budget Code is separated into two Funds, one for firemen and one for rescue squad workers. In addition to the State appropriation, the Firemen’s Pension fund received \$2,306,851 in employee contributions and spent \$19,676,777 for pension claims in FY 2008-09. The Rescue Squad Worker’s Pension Fund received \$182,730 in employee contributions and spent \$2,113,130 for pension claims in FY 2008-09. The National Guard Pension Fund spent \$6,048,544 for pension claims in FY 2008-09.

Treasurer – Retirement for Fire and Rescue Squad Workers

Significant Legislative Budget Actions

The General Assembly transferred administration of the National Guard Pension Fund from the Department of Crime Control and Public Safety to the Department of State Treasurer. See Annotated Conference Report, General Government section, item 98. As a result of the transfer, Budget Code 13412 has been renamed “St. Treas. Trans. Retire. Sys.”

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Licensing Boards

- G.S. 86A Powers and Duties of the State Board of Barber Examiners
- G.S. 88B Powers and Duties of the NC State Board of Cosmetic Art Examiners
- G.S. 90-238 Powers and Duties of the NC State Board of Opticians
- G.S. 90-270.6 Powers and Duties of the NC Psychology Board
- G.S. 85B Powers and Duties of the NC Auctioneer Licensing Board
- G.S. 88A-5 Powers and Duties of the NC Board of Electrolysis Examiners

Agency Description:

The various North Carolina licensing boards were created to establish and manage authorized professional service providers in the areas of cosmetology, barber examiners, opticians, psychology, auctioneering, and electrolysis examiners. The boards provide oversight through training, examination and licensure. They are entirely receipt-supported and do not receive General Fund appropriations.

Budget Tables

The following table provides a partial list of the State’s Licensing Boards’ Enterprise Funds.

Licensing Boards	Certified FY 2009-10	Certified FY 2010-11
NC State Board of Barber Examiners (28101 – Enterprise Fund)	669,000	669,000
NC State Board of Cosmetic Art Examiners (28102 – Ent. Fund)	2,393,432	2,396,657
NC State Board of Opticians (28103 – Enterprise Fund)	238,305	238,305
NC Psychology Board (28104 – Enterprise Fund)	628,721	628,721
NC State Auctioneer Licensing Board (28106 – Enterprise Fund)	508,657	508,657
NC State Board of Electrolysis Examiners (28107 – Ent. Fund)	28,179	28,179
TOTAL	\$4,466,294	\$4,469,519

Note:

* Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Additional Legislation

S.L. 2009-125 (HB 221) OVERSIGHT OF LICENSING BOARDS

Section 1 of this act authorizes the Joint Legislative Administrative Procedure Oversight Committee to review the activities of occupational licensing boards to determine if the boards are operating in accordance with statutory requirements and if the boards are still necessary to achieve the purposes for which they were created. Section 2 sets October 31 as the deadline for filing reports and creates a sanction of suspension of the board’s authority to expend any funds if a board fails to comply with the reporting requirements. Section 3 requires that certain licensing boards may be audited by the State Auditor and that each occupational licensing board with a budget of at least \$50,000 must conduct an annual financial audit of its

Licensing Boards

operations and provide a copy to the State Auditor. Section 4 requires that board members receive training, as recommended by the Joint Legislative Administrative Procedure Oversight Committee.

S.L. 2009-217 (HB 703) DISAPPROVE NCMB RULE/REPT. PUB. CERTAIN JUDGMENTS, AWARDS, PAYMENTS, AND SETTLEMENTS

This act rescinds certain rules that were adopted by the North Carolina Medical Board and approved by the Rules Review Commission. These rules dealt with reporting and publicizing medical judgments, awards, payments, and settlements. Chapter 90 of the General Statutes is amended by adding a new subsection that requires the North Carolina Medical Board to publish certain judgments, awards, payments and settlements and contain specific information as outlined in the statute. This information is to be published on the Board's website for seven years from the date of the judgment, award, payment or settlement. This act also rescinds a rule that was adopted by the Department of Labor and approved by the Rules Review Commission. The rule dealt with the Department's standards for cranes and derricks. The Department of Labor is required to adopt a temporary rule and submit the rule to the Codifier of Rules.

S.L. 2009-434 (HB 819) POLYSOMNOGRAPHY PRACTICE ACT

See summary in the Finance section of this report.



Administration

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$78,170,163	\$78,362,881

Legislative Changes

1 Various Additional Reductions (\$104,647) R (\$946,224) R
 Reduce various operating accounts in eight (8) divisions across the department.

	FY 09-10	FY 10-11
1111 Office of the Secretary Reduce Governor's Page Program		(\$14,000)
1311 Office of State Personnel Reduce operating expenses.		(\$100,000)
1731 NC Council for Women and Domestic Violence Commission End lease and move to state-owned space.	(\$20,445)	(\$20,445)
1741 Human Relations Commission End lease and move to state-owned space.	(\$13,410)	(\$14,984)
1761 Youth Advocacy & Involvement Office Reduce State Government Internship Pgm.		(\$170,000)
1781 Domestic Violence Program End lease and move to state-owned space.	(\$4,876)	(\$4,876)
1861 Commission on Indian Affairs End lease and move to state-owned space.	(\$65,916)	(\$68,660)
1466 State Energy Office Reduce funding to three university energy programs.		(\$553,259)

1111 Office of the Secretary

2 Justice for Sterilization Victims Foundation \$250,000 NR
 Funding is provided for planning efforts associated with the establishment of the Justice for Sterilization Victims Foundation. This foundation will provide justice and compensate victims who were forcibly sterilized by the State of North Carolina between 1929 and 1974. (S.B. 179/H.B. 20)

1121 Fiscal Management

3 End Lease for E-Procurement Services

(\$39,832) R (\$119,496) R

End lease for E-Procurement Services and relocate office into State-owned building.

1123 Historically Underutilized Businesses

4 Reduction to Historically Underutilized Businesses

(\$43,473) R (\$43,473) R

Reduce appropriation to Historically Underutilized Businesses.

1311 Office of State Personnel

5 Eliminate Vacant Positions

(\$250,732) R (\$253,141) R

Eliminate salaries and benefits of 4 vacant positions:

-4.00 -4.00

- 60013775 Human Resources Partner (\$47,198)
- 60013840 Human Resources Partner (\$50,000)
- 60013735 Human Resources Partner (\$53,012)
- 60013791 Human Resources Partner (\$50,000)

6 Reduce Various Line Items

(\$79,843) R (\$79,843) R

Reduce various line items:

- 532821 Computer Data Processing (\$53,902)
- 536905 Aid & Public Assistance (\$25,941)

7 Eliminate Scanning Function of Applications

(\$36,535) R (\$36,535) R

Eliminate funding to support the scanning of all North Carolina state government job applications. This recommendation includes the elimination of one filled position.

-1.00 -1.00

1466 State Energy Office

8 Transfer of the State Energy Office to Commerce

(\$3,955,819) R (\$3,403,386) R

Per the passage of HB 1481, there is a Type I transfer of the State Energy Office from the Department of Administration to the Department of Commerce. The Department of Administration is transferring a budget with total requirements of \$3,955,819 in FY 09-10 and \$3,403,386 in FY 10-11 that supports a total of 8 positions and operating expenses:

-8.00 -8.00

	FY 09-10	FY 10-11
Total Requirements	\$3,955,819	\$3,403,386
Receipts	\$ 0	\$ 0
Appropriation	\$3,955,819	\$3,403,386

1623 State Capitol Police

9 Transfer State Capitol Police to Crime Control

(\$3,109,489) R (\$3,112,757) R

Type I transfer of the State Capitol Police Division from the Department of Administration to the Department of Crime Control and Public Safety. The Department of Administration is transferring a budget with total requirements of \$4,081,415 in FY 09-10 and \$4,085,683 in FY 10-11 that supports a total of 78 positions: 55 appropriated and 23 receipted, and operating expenses:

-55.00 -55.00

	FY 09-10	FY 10-11
Total Requirements	\$4,081,415	\$4,085,683
Receipts	\$ 971,926	\$ 972,188
Appropriation	\$3,109,489	\$3,112,757

(S.L. 2009-451, Sec. 17.3)

1732 Displaced Homemakers

10 Reduction to Displaced Homemakers Program Fund

(\$10,048) R (\$10,048) R

Reduce appropriation to Displaced Homemakers Program Fund.

1741 Human Relations Commission

11 Reduction to Human Relations Commission

(\$19,676) R (\$19,676) R

Reduce appropriation to Human Relations Commission.

1742 MLK Commission

12 Reduction to MLK Commission

(\$1,690) R (\$1,690) R

Reduce appropriation to MLK Commission.

1761 Youth Involvement

13 Reduction to Youth Involvement Office

(\$25,376) R (\$25,376) R

Reduce appropriation to Youth Involvement Office.

1761 Youth Involvement Office

14 Reduction to Youth Involvement Grant Program

(\$208) R (\$208) R

Reduce appropriation to Youth Involvement Grant Program.

FY 09-10**FY 10-11****1771 Veterans Affairs****15 Shift Three Positions to Receipt Support**

(\$114,175) R (\$114,175) R

Shift three appropriated Veterans Affairs positions to receipt support. The positions will now be supported through burial fee receipts that are collected by veterans cemeteries operated by the Department of Administration.

-3.00 -3.00

1782 Domestic Violence Center**16 Reduction to Domestic Violence**

(\$170,202) R (\$170,202) R

Reduce appropriation to Domestic Violence Center Fund.

1861 Commission on Indian Affairs**17 Reduce appropriation to Commission on Indian Affairs**

(\$12,775) R (\$12,775) R

Reduce appropriation to Commission on Indian Affairs.

7251 State Parking System**18 Restore Funding for the State Parking System**

Restore funding for the State Parking System, which is a receipt-supported program (budget code 74103) that is currently under a legislatively required Continuation Review. Funding will be restored at the current level (\$1,667,708), which includes support for 12.75 positions.

Department-Wide**19 Reduce Janitorial Services**

(\$390,222) R (\$390,222) R

Reduce janitorial services.

20 Eliminate Vacant Positions

(\$2,145,859) R (\$2,176,770) R

Eliminate salaries and benefits for 39.5 vacant positions across the agency.

-39.50 -39.50

Total Legislative Changes

(\$10,510,601) R (\$10,915,997) R

\$250,000 NR

Total Position Changes

-110.50 -110.50

Revised Budget

\$67,909,562 \$67,446,884

Special Provisions

2009 Session: SB 202

Department: Administration

Section: 20A.4

Title: **Increase Marriage License Fee**

Summary Increase the cost of the Marriage License Fee from \$50 to \$60. This will increase the allocation to the Domestic Violence Center Fund from \$20 to \$30.

Section: 20A.6

Title: **Allow Domestic Violence Task Force of Pamlico County to Establish Its Own Domestic Violence Center**

Summary Allow Pamlico County to establish its own Domestic Violence Center in FY 2009-10.

Section:

Title: **Refer to Section 6.6E (SB 202) - Continuation Review of Certain Funds, Programs, and Divisions**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.18 (SB 202) - Information Technology Contracted Personnel**

Summary See summary in the Statewide Reserves section of this report.

Auditor

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$14,389,111		\$14,405,383	
Legislative Changes				
21 Adjust Continuation Budget	(\$436,675)	R	(\$436,675)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
532120 Finan/Audit Services	(\$222,504)		(\$222,504)	
532199 MISC Contractual Service	(\$214,171)		(\$314,171)	
22 Various Additional Reductions			(\$186,259)	R
Eliminate a vacant position and reduce various operating accounts in Funds 1110 and 1210 in FY 10-11.				
			-1.00	
1210 - Eliminate vacant position #60008931				
531211 Salary	(\$81,786)			
531511 Social Security	(\$6,256)			
531521 Retirement	(\$7,311)			
531561 Hospitalization	(\$4,929)			
1110 532942 Administrative Training	(\$5,059)			
1210 532120 Financial/Audit Services	(\$64,262)			
1210 534521 Office Equipment	(\$16,655)			
1210 Field Audit Division				
23 Eliminate Vacant Positions	(\$224,597)	R	(\$226,529)	R
Eliminate 3 vacant positions:				
	-3.00		-3.00	
Asst. State Auditor (60008992)				
Asst. State Auditor (60008926)				
Asst. State Auditor (60008862)				
S.L. 2009-575, Section 19A amended this item so that these positions shall be funded from receipts from single audits of State agencies and institutions.				
24 Eliminate Grants Training Unit	(\$300,797)	R	(\$300,797)	R
Eliminate the Grants Training Unit, including the elimination of five positions.				
	-5.00		-5.00	

FY 09-10

FY 10-11

Total Legislative Changes	(\$962,069)	R	(\$1,150,260)	R
Total Position Changes	-8.00		-9.00	
Revised Budget	\$13,427,042		\$13,255,123	

Special Provisions

2009 Session: SB 202

Department: Auditor

Section: 20C.1

Title: North Carolina Partnership for Children, Inc., to Conduct Audits of Local Partnerships

Summary Change statutory reference to allow that the State Auditor shall no longer conduct financial and compliance audits of certain local partnerships that are rated "needs improvement"; instead, these audits will be conducted by the North Carolina Partnership for Children.

Cultural Resources

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$77,933,037	\$79,329,609

Legislative Changes

25 Adjust Continuation Budget (\$1,877,462) R (\$1,919,153) R

Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

531311	Reg (N S) Temp Wages-APPR	(\$403,906)	(\$403,906)
531411	OT Pay-Approp	(\$55,352)	(\$55,352)
531421	Holiday Pay	(\$5,582)	(\$5,582)
531431	Shift Prem Pay-APPRO	(\$7,156)	(\$7,156)
531461	EPA&SPA-Longvty Pay-APPR	(\$15,922)	(\$40,118)
531511	Social SEC Contrib-APPRO	(\$3,631)	(\$3,631)
531521	Reg Retire Contrib-APPR	(\$59,667)	(\$59,667)
531627	Short Term Disab-APPRO	(\$20,049)	(\$20,049)
531631	Wrker Comp-Med Payments	(\$33,327)	(\$33,327)
532199	MISC Contractual Services	(\$83,212)	(\$83,212)
532200	Utility/Energy Services	(\$112,296)	(\$121,337)
532500	Rentals/Leases	(\$90,079)	(\$92,653)
532900	Other Services	(\$37,455)	(\$37,455)
533300	Vehicle/Equip Opera Suppl	(\$13,101)	(\$17,806)
533700	Research/Dev & Ed Supp	(\$18,967)	(\$20,142)
534600	Art, other Artifacts & Lit	(\$917,760)	(\$917,760)

26 Various Additional Reductions

(\$552,985) R

Reductions are made to various operating accounts in FY 10-11 in all Funds, except 1110, 1243, 1340, and 1290:

1120 Administrative Services	
Telephone Service	(\$3,000)
Telecommun Data Chrg	(\$10,500)
Email and Calendaring	(\$2,000)
1210 Archives & History - Administration	
Transp-Air-Out of St-US	(\$500)
Lodging-In State	(\$3,000)
Meals-In State	(\$2,500)
Meals-Out of State-In US	(\$1,000)
Telephone Service	(\$1,181)
Registration Fees	(\$1,000)
Other Materials and Supplies	(\$6,000)
FURN-OFFICE	(\$2,500)
OFFICE EQUIPMENT	(\$1,250)
1220 Historical Publications	
PRINT, BIND, DUPLICATE	(\$2,000)
1230 Archives & Records	
Reg Temp Wages - App	(\$2,000)
GROUND - IN STATE	(\$3,500)
LODGING - IN STATE	(\$1,000)
MEALS - IN STATE	(\$1,000)
MISCELLANEOUS - IN STATE	(\$1,000)
POSTAGE, FREIGHT & DELIVERIES	(\$3,500)
OTHER EQUIPMENT	(\$4,000)
1241 State Historic Sites	
Reg Temp Wages - App	(\$60,000)
532490 Maint Agree Other	(\$6,000)
TRANSP-GRND - IN STATE	(\$2,000)
OTHER MATERIALS & SUPP	(\$3,000)
1242 Tryon Palace	
Reg Temp Wages - App	(\$91,679)
1245 Maritime Museum	
Janitorial Service Agreement	(\$2,000)
Engr Serv - Electrical	(\$1,000)
Rent./Lease - Buildings Office	(\$2,000)
1250 Historic Preservation	
Transportation-ground-in state	(\$4,000)
Telephone Service	(\$1,000)
1260 Office of State Archeology	
Trans Grd - In State	(\$1,000)
Lodging - In State	(\$500)
1320 Museum of Art	
Misc. Contractual Services	(\$2,000)
Repairs - Other	(\$4,000)

Cultural Resources

Telephone Service	(\$2,000)
Postage	(\$2,500)
Other Insurance	(\$1,000)
533110 General Office Supplies	(\$1,000)
Other Equipment	(\$3,000)
Art & Artifacts	(\$5,500)
Library & Learning Resource Collection	(\$4,100)
Membership Dues & Subscrip	(\$2,000)
1330 NC Arts Council	
Honorariums	(\$4,000)
Misc-Contractual Services	(\$4,000)
Transportation-Air Out of State-US	(\$1,500)
Transportation-Ground-In State	(\$4,000)
Lodging-In State	(\$2,000)
Meals-In State	(\$3,000)
Meals-Out of State-US	(\$1,000)
Misc Subs-In State	(\$1,000)
Misc Subs-Out of State	(\$500)
BD/Non-Employee Transportation	(\$2,000)
BD/Non-Employee Subsis	(\$2,000)
Postage, Freight, & Delivery	(\$2,000)
1410 State Library Services	
Ground-Trans.- Out-of-State	(\$1,000)
Misc (In-State)	(\$1,500)
Board/Non Employee Trans.	(\$1,500)
Board/Non Employee Subs.	(\$1,500)
Telephone Service	(\$2,500)
Postage	(\$1,500)
General Office Supplies	(\$2,500)
Other Equipment	(\$2,500)
1480 Statewide Programs and Grants	
Honorariums	(\$3,000)
Misc Contractual Service	(\$4,000)
BD/Nonemployee Subsistence	(\$6,000)
Print, Bind, Duplicate	(\$4,000)
Other Materials & Supplies	(\$4,000)
534630 Lib & Learn Res Coll	(\$85,131)
1500 Museum of History	
Reg Temp Wages - App	(\$42,423)
532331 Repairs - Motor Vehicles	(\$1,000)
532333 Repairs - Other Equipment	(\$5,000)
Repairs - Other	(\$2,000)
Rent/Lease - Bldgs Office	(\$3,000)
Meals - In State	(\$500)
Meals - Out State, In US	(\$500)
Misc. In State	(\$500)
Bd/Non-Employee Trans.	(\$50)
Telephone Service	(\$3,919)
Postage, Freight, Delivery	(\$4,000)
Advertising	(\$1,500)
Office Furniture	(\$2,000)
Other Equipment	(\$1,000)
Art & Artifacts	(\$2,000)

Cultural Resources

Library & Learning Resource Collect (\$1,000)
 Memberships & Subscriptions (\$1,000)

1110 Office of the Secretary

27 Reduce Operating Expenses

(\$105,501) R (\$106,092) R

Reduce expenditure accounts in the division each fiscal year and eliminate salary and benefits of one vacant position.

-1.00 -1.00

60083260 Executive Asst I - (\$47,233)

SPA-Reg Salaries Approp (\$47,233) (\$47,233)
 Social Sec Contrib-Approp (\$3,613) (\$3,613)
 Reg Retire Contrib-Approp (\$4,034) (\$4,223)
 Med Ins Contrib-Approp (\$4,527) (\$4,929)

Operating Budget Reductions

Misc Contractual Services (\$6,191) (\$6,191)
 Enrg Ser - Water & Sewer (\$206) (\$206)
 Transp-Air-Out of St-US (\$1,400) (\$1,400)
 Transp-Grand-In State (\$14,609) (\$14,609)
 Lodging-In State (\$8,200) (\$8,200)
 Lodging-Out of State-US (\$1,500) (\$1,500)
 Meals-in State (\$7,640) (\$7,640)
 Meals-Out of State, In US (\$548) (\$548)
 Misc Subs-In State (\$3,400) (\$3,400)
 Misc Subs-Out of State, In US (\$800) (\$800)
 Trans Grnd-Out State, In US (\$210) (\$210)
 Misc Out of Country (\$250) (\$250)
 Cellular Phone Service (\$350) (\$350)
 Furn-Office (\$790) (\$790)

1120 Administrative Services

28 Reduce Administrative Services

(\$193,640) R (\$193,640) R

Adjust expenditure accounts each fiscal year.

Reg Temp Wages - App (\$120,319) (\$120,319)
 Misc Contractual Services (\$45,248) (\$45,248)
 Transportation - Grnd - In State (\$740) (\$740)
 Lodging - In State (\$1,308) (\$1,308)
 Meals - In State (\$358) (\$358)
 Misc Subs - In State (\$600) (\$600)
 Telephone Service (\$8,578) (\$8,578)
 Telecommun Data Chrg (\$9,000) (\$9,000)
 Email and Calendaring (\$444) (\$444)
 Furniture - Office (\$3,045) (\$3,045)
 Other Equipment (\$4,000) (\$4,000)

1210 Archives & History - Administration

29 Reduce Archives & History - Administration

(\$109,338) R (\$109,338) R

Adjust expenditure accounts each fiscal year.

MISC CONTRACTUAL SERVICE	(\$19,879)	(\$19,879)
TRANSP-AIR-OUT OF ST-US	(\$1,000)	(\$1,000)
532714 TRANS GRND- IN STATE	(\$11,000)	(\$11,000)
TRANS GRND-OUT STA, IN US	(\$1,000)	(\$1,000)
532721 LODGING-IN STATE	(\$8,600)	(\$8,600)
LODGING-OUT OF STATE- IN US	(\$6,600)	(\$6,600)
532724 MEALS-IN STATE	(\$4,081)	(\$4,081)
MEALS-OUT OF STATE-IN US	(\$2,500)	(\$2,500)
532811 TELEPHONE SERVICE	(\$8,900)	(\$8,900)
532840 POSTAGE, FREIGHT & DELIV	(\$6,150)	(\$6,150)
532850 PRINT, BIND, DUPLICATE	(\$11,000)	(\$11,000)
ADVERTISING	(\$8,378)	(\$8,378)
REGISTRATION FEES	(\$8,000)	(\$8,000)
533900 OTHER MATERIALS AND SUPPLIES	(\$5,500)	(\$5,500)
534511 FURN-OFFICE	(\$2,750)	(\$2,750)
534539 OFFICE EQUIPMENT (New)	(\$1,500)	(\$1,500)
OTHER EQUIPMENT	(\$2,500)	(\$2,500)

1220 Historical Publications

30 Reduce Historical Publications

(\$4,256) R (\$4,256) R

Adjust expenditure accounts each fiscal year.

LODGING - IN STATE	(\$1,411)	(\$1,411)
MEALS - IN STATE	(\$56)	(\$56)
PRINT, BIND, DUPLICATE	(\$1,029)	(\$1,029)
ADVERTISING	(\$1,760)	(\$1,760)

1230 Archives & Records

31 Reduce Archives & Records

(\$216,759) R (\$218,708) R

Adjust expenditure accounts each fiscal year and eliminate salaries and fringes of three vacant positions.

-3.00 -3.00

- 60083382 Processing Asst IV (\$26,878)
- 60083379 Processing Asst IV (\$16,576)
- 60083367 Arch & Records Prof (\$22,852)
- 60083385 Office Assistant IV (\$18,975)

SPA-Reg Salaries Appro	(\$85,281)	(\$85,281)
Social Sec Contrib-Appro	(\$6,524)	(\$6,524)
Reg Retire Contrib-Appro	(\$7,283)	(\$7,624)
Med Ins Contrib-Appro	(\$18,108)	(\$19,716)

Operating Budget Reductions

Reg Temp Wages - App	(\$814)	(\$814)
MISC CONTRACTUAL SERVICES	(\$275)	(\$275)
AIR - OUT OF STATE	(\$300)	(\$300)
GROUND - IN STATE	(\$1,500)	(\$1,500)
GROUND - OUT OF STATE	(\$600)	(\$600)
LODGING - IN STATE	(\$1,480)	(\$1,480)
LODGING - OUT OF STATE	(\$500)	(\$500)
MEALS - IN STATE	(\$650)	(\$650)
MEALS - OUT OF STATE	(\$500)	(\$500)
MISCELLANEOUS - IN STATE	(\$2,070)	(\$2,070)
MISCELLANEOUS - OUT OF STATE	(\$1,000)	(\$1,000)
POSTAGE, FREIGHT & DELIVERIES	(\$2,500)	(\$2,500)
PRINT, BIND, DUPLICATE	(\$3,650)	(\$3,650)
OTHER MATERIALS & SUPP	(\$76,229)	(\$76,229)
FURN-OFFICE	(\$495)	(\$495)
OTHER EQUIPMENT	(\$7,000)	(\$7,000)

1241 State Historic Sites

32 Reduction to State Historic Sites

(\$466,877) R (\$467,187) R

Adjust expenditure accounts each fiscal year.

Reg Temp Wages App		
532199 MISC CONTRACTUAL SERVICES	(\$32,311)	(\$32,311)
Eng Serv Electrical	(\$30,000)	(\$30,000)
532714 TRANSP GRND IN STATE	(\$12,069)	(\$12,379)
533110 General Office Supp (New)	(\$12,080)	(\$12,080)
OTHER MATERIALS & SUPP	(\$75,792)	(\$75,792)
534511 FURN/OFFICE	(\$13,211)	(\$13,211)
534539 OTHER EQUIPMENT	(\$87,427)	(\$87,427)
MOTOR VEHICLES	(\$55,000)	(\$55,000)
OTHER MOTORIZED VEHICLES	(\$86,000)	(\$86,000)
Art & Artifacts	(\$62,987)	(\$62,987)

1242 Tryon Palace

33 Reduce Personnel and Operating Expenses

(\$166,413) R (\$166,657) R

Adjust the budget of Tryon Palace each fiscal year and eliminate salary and benefits of a vacant position that is a partial FTE:

-0.62 -0.62

60083569 Horticultural/Grounds Tech (\$18,288)

SPA-Reg Salaries Appro	(\$18,228)	(\$18,228)
Social Sec Contrib-Appro	(\$1,394)	(\$1,394)
Reg Retire Contrib-Appro	(\$1,557)	(\$1,630)
Med Ins Contrib-Appro	(\$4,527)	(\$4,929)

Operating Budget Reductions

Reg Temp Wages - App	(\$92,220)	(\$92,220)
Trns Grd - In state	(\$8,781)	(\$8,781)
TRANS GRND - OUT STAT, IN US	(\$240)	(\$240)
LODGING - IN STATE	(\$950)	(\$950)
MEALS - IN STATE	(\$424)	(\$424)
MEALS - OUT OF STATE, IN US	(\$151)	(\$151)
MISC - IN STATE	(\$300)	(\$300)
MISC - OUT STATE, IN US	(\$850)	(\$850)
POSTAGE, FREIGHT & DELIV	(\$5,040)	(\$4,839)
General Office Supplies	(\$4,102)	(\$4,102)
FURN - OFFICE	(\$2,007)	(\$2,007)
OTHER EQUIPMENT	(\$9,065)	(\$9,065)
AUTOS, TRUCKS, & BUSES	(\$16,552)	(\$16,522)
MEMBERSHIP DUES & SUBSCRIP	(\$25)	(\$25)

1243 State Capitol

34 Reduce State Capitol

(\$6,873) R (\$6,873) R

Adjust expenditure accounts each fiscal year.

TRANSP-GRND - IN STATE	(\$550)	(\$550)
MEALS - IN STATE	(\$64)	(\$64)
MSC SUBS-IN STATE	(\$100)	(\$100)
TELEPHONE SERVICE	(\$1,364)	(\$1,364)
POSTAGE, FREIGHT & DELIV	(\$248)	(\$248)
PRINT, BIND, DUPLICATE	(\$1,004)	(\$1,004)
OTHER MATERIALS & SUPP	(\$3,000)	(\$3,000)
OTHER EQUIPMENT	(\$543)	(\$543)

1245 Maritime Museum

35 Reduce Personnel and Operating Expenses

(\$87,235) R (\$87,235) R

Adjust expenditure accounts each fiscal year and eliminate salaries and fringes of one vacant positions:

-1.00 -1.00

60083649	Museum Curator	(\$64,123)	
531211	SPA-Reg Salaries Appro	(\$64,123)	(\$64,123)
531511	Social Sec Contrib-Appro	(\$4,905)	(\$4,905)
531521	Reg Retire Contrib-Appro	(\$5,476)	(\$5,733)
531561	Med Ins Contrib-Appro	(\$4,527)	(\$4,929)
532512	Rent/Lease-Buildings Office	(\$8,203)	(\$7,545)

1250 Historic Preservation

36 Reduce Historic Preservation

(\$28,450) R (\$28,450) R

Adjust the following expenditure accounts each fiscal year:

Transportation-ground-in state	(\$8,120)	(\$8,120)
Lodging-in state	(\$1,000)	(\$1,000)
Meals in state	(\$500)	(\$500)
Bd-non employee transportation	(\$1,500)	(\$1,500)
Postage freight and delivery	(\$2,448)	(\$2,448)
Print, bind, duplicate	(\$1,030)	(\$1,030)
Other materials and supplies	(\$1,500)	(\$1,500)
Other equipment	(\$40)	(\$40)
Membership, dues and subscriptions	(\$5,000)	(\$5,000)
Janitorial Service Agreement	(\$2,836)	(\$2,836)
Telephone Service	(\$2,000)	(\$2,000)
Other Materials & Supplies	(\$1,500)	(\$1,500)
Membership Dues & Subscrip	(\$976)	(\$976)

1260 Office of State Archeology

37 Reduce Office of State Archaeology

(\$3,902) R (\$4,413) R

Adjust expenditure accounts each fiscal year.

Trans Grd In State	(\$1,000)	(\$1,500)
Lodging In State	(\$2,650)	(\$2,679)
Meals In State	(\$252)	(\$252)

1290 Western Office

38 Reduce Western Office

(\$169,073) R (\$171,470) R

Adjust expenditure accounts each fiscal year and eliminate salaries and benefits of three vacant positions:

-3.00 -3.00

60083644	A&H Regional Supervisor	(\$44,225)	
65005183	Librarian Consultant	(\$35,585)	
65005026	Arts Development Consultant	(\$47,000)	
531211	SPA Reg Salaries Appropriation	(\$126,810)	(\$126,810)
531511	Social Security Contib Approp	(\$9,701)	(\$9,701)
531521	Reg Retire Contr Approp	(\$10,830)	(\$11,337)
531561	Med Ins Contirb Approp	(13,581)	(\$14,787)
Operating Budget Reductions			
	Trans Grd In State	(\$4,000)	(\$4,000)
	Telephone Service	(\$2,000)	(\$2,000)
	Other Materials & Supplies	(\$1,500)	(\$1,500)
	Other Equipment	(\$651)	(\$1,335)

1320 Museum of Art

39 Reduce Museum of Art

(\$310,425) R (\$310,425) R

Adjust expenditure accounts each fiscal year.

Reg Temp Wages - App	(\$5,810)	(\$5,810)
Misc. Contractual Services	(\$88,000)	(\$88,000)
532210 Energy Ser- Electric	(\$3,750)	(\$3,750)
Repairs - Other	(\$49,345)	(\$49,345)
532430 Maintenance Equip	(\$3,500)	(\$3,500)
Transp-Air-Out of St-US	(\$675)	(\$675)
532714 Trans-Grnd-In State	(\$10,550)	(\$10,550)
Trans-Grnd-Out Sta, in US	(\$1,193)	(\$1,193)
Lodging-In St	(\$1,520)	(\$1,520)
Lodging-Out of Sta-US	(\$4,100)	(\$4,100)
Lodging-Out of Country	(\$61)	(\$61)
Meals-In State	(\$2,131)	(\$2,131)
Meals-Out of State, In US	(\$956)	(\$956)
Misc Subs-In state	(\$1,200)	(\$1,200)
Misc Subs-Out of St US	(\$1,400)	(\$1,400)
532811 Telephone Service	(\$25,000)	(\$25,000)
532840 Postage	(\$9,500)	(\$9,500)
Printing, Binding, Duplicate	(\$750)	(\$750)
Other Insurance	(\$6,000)	(\$6,000)
533110 General Office Supp	(\$3,500)	(\$3,500)
533900 Other Materials & Supplies	(\$25,087)	(\$25,087)
Furniture	(\$1,869)	(\$1,869)
Other Equipment	(\$14,131)	(\$14,131)
Art & Artifacts	(\$33,486)	(\$33,486)
Library & Learning Resource		
Collection	(\$11,500)	(\$11,500)
535830 Membership Dues & Subscrip	(\$5,411)	(\$5,411)

1330 Arts Council

40 Reduction to Grants

(\$249,153) R (\$249,710) R

Reduce appropriations to NC Arts Council operating budget and eliminate salary and benefits of one vacant position:

-1.00 -1.00

60083915 Arts Program Administrator (\$38,790)

SPA -Reg Salaries Appropriation	(\$38,790)	(\$38,790)
Social Security Contib - Approp	(\$2,967)	(\$2,967)
Reg Retire Contr - Approp	(\$3,313)	(\$3,468)
Med Ins Contirb - Approp	(\$4,527)	(\$4,929)
Honorariums	(\$10,000)	(\$10,000)
Misc-Contractual Services	(\$65,750)	(\$65,750)
Maint Agreement - Other	(\$2,000)	(\$2,000)
Transportation-Air Out of State-US	(\$278)	(\$278)
Transportation-Ground-In State	(\$15,000)	(\$15,000)
Transportation-Ground-Out of State-US	(\$428)	(\$428)
Lodging-In State	(\$7,000)	(\$7,000)
Lodging-Out of State-US	(\$1,500)	(\$1,500)
Meals-In State	(\$3,850)	(\$3,850)
Meals-Out of State-US	(\$1,283)	(\$1,283)
Misc Subs-In State	(\$750)	(\$750)
Misc Subs-Out of State	(\$650)	(\$650)
BD/Non-Employee Transportation	(\$4,850)	(\$4,850)
BD/Non-Employee Subsis	(\$5,650)	(\$5,650)
Postage, Freight, & Delivery	(\$15,000)	(\$15,000)
Print, Bind, Duplicate	(\$25,198)	(\$25,198)
Furniture-Office	(\$165)	(\$165)
Membership, Dues & Subscriptions	(\$15,000)	(\$15,000)
536G32 Vagabond School of Drama	(\$2,156)	(\$2,156)
536G48 Lost Colony	(\$11,524)	(\$11,524)
536G71 Shakespeare Festival	(\$11,524)	(\$11,524)

1340 NC Symphony

41 Grant for NC Symphony

\$500,000 NR

Appropriate non-recurring funding as a grant to the Symphony. (S.B. 414)

1410 State Library Services

42 Reduce State Library Services

(\$623,249) R (\$626,426) R

Adjust expenditure accounts each fiscal year, eliminate salaries and benefits of 4.83 vacant positions, and transfer two positions to receipt-support:

-6.83 -6.83

Vacant Positions

- 60083831 Library Prof I (\$41,055)
- 60083816 Library Prof I (\$55,234) -- .83 FTE
- 60083888 Processing Asst II (\$24,598)
- 60083839 Library Tec (\$29,542)
- 60083841 Library Clerk III (\$28,282)

531211 SPA -Reg Salaries Approp	(\$178,711)	(\$178,711)
531461 EPA&SPA- Longevity	(\$1,965)	(\$1,965)
Social Security Contib - Approp	(\$13,671)	(\$13,671)
Reg Retire Contr - Approp	(\$15,262)	(\$15,977)
Med Ins Contrib - Approp	(\$13,581)	(\$14,787)

Positions Transferred to Receipt

- 60083895 Librarian Prof (\$67,814)
- 60083805 Librarian Prof (\$45,210)

SPA -Reg Salaries Appropriation	(\$113,024)	(\$113,024)
Social Security Contib - Approp	(\$8,646)	(\$8,646)
Reg Retire Contr - Approp	(\$9,652)	(\$10,104)
Med Ins Contirb - Approp	(\$9,054)	(\$9,858)

Operating Budget Reductions

Misc. Contractual Service	(\$82,250)	(\$82,250)
532310 Repairs Buildings (New)	(\$3,500)	(\$3,500)
532390 Repairs Other	(\$7,000)	(\$7,000)
532512 Rent/Lease Buildings	(\$26,774)	(\$26,774)
532715 Ground-Trans. (Out-of-State)	(\$1,250)	(\$1,250)
532727 Misc (In-State)	(\$850)	(\$850)
Board/Non Employee Trans.	(\$1,125)	(\$1,125)
Board/Non Employee Subs.	(\$4,205)	(\$4,205)
532811 Telephone Service	(\$18,950)	(\$18,950)
Postage	(\$19,000)	(\$19,000)
General Office Supplies	(\$23,250)	(\$23,250)
Furniture-Office	(\$2,500)	(\$2,500)
Other Equipment	(\$32,113)	(\$32,113)
534630 Lib & Learn Res Coll	(\$36,916)	(\$36,916)

1480 Statewide Programs and Grants

43 Reduce State-Aid and other Division Accounts

(\$486,129) R (\$486,129) R

Reduce funding to county libraries and other operating expenses in the division each fiscal year.

Honorariums	(\$2,500)	(\$2,500)
Misc Contractual Service	(\$132,242)	(\$132,242)
Lodging-Out of State-US	(\$12,750)	(\$12,750)
BD/Nonemployee Subsistence	(\$15,000)	(\$15,000)
Print, Bind, Duplicate	(\$76,741)	(\$76,741)
Other Materials & Supplies	(\$32,000)	(\$32,000)
534630 Lib & Learn Res Coll	(\$214,896)	(\$214,896)

1500 Museum of History

44 Reduce Museum of History

(\$369,868) R (\$370,472) R

Reduce expenditure accounts each fiscal year and eliminate salary and benefits of one vacant position:

-1.00 -1.00

60083973 History Museum Conservator (\$35,337)

SPA Reg Salaries Appropriation	(\$35,337)	(\$35,337)
Reg Temp Wages App	(\$68,803)	(\$68,803)
Social Security Contib Approp	(\$2,703)	(\$2,703)
Reg Retire Contr Approp	(\$3,018)	(\$3,159)
Med Ins Contirb Approp	(\$4,527)	(\$4,929)

Operating Budget Reductions

Misc. Contractual Services	(\$45,144)	(\$45,755)
Out of State Air Travel	(\$1,550)	(\$1,550)
Trans./ Ground In State	(\$13,574)	(\$13,574)
Trans. Ground Out of State	(\$2,000)	(\$2,000)
Lodging In State	(\$4,810)	(\$4,810)
Lodging Out of State	(\$4,100)	(\$4,100)
Meals In State	(\$2,504)	(\$2,504)
Meals Outs State, In US	(\$2,500)	(\$2,500)
Misc. In State	(\$2,050)	(\$1,550)
Misc. Out of State, In US	(\$2,200)	(\$2,200)
Bd/Non Employee Trans.	(\$425)	(\$375)
Bd/Non Employee Subsis.	(\$760)	(\$760)
Office Furniture	(\$5,850)	(\$5,850)
Office Equipment	(\$3,356)	(\$3,356)
Other Equipment	(\$9,000)	(\$9,000)
Art & Artifacts	(\$148,057)	(\$148,057)
Library & Learning Resource Collect	(\$3,000)	(\$3,000)
Memberships & Subscriptions	(\$4,600)	(\$4,600)

Total Legislative Changes

(\$5,474,603) R (\$6,079,619) R
\$500,000 NR

Total Position Changes

-17.45 -17.45

Revised Budget

\$72,958,434 \$73,249,990

Special Provisions

2009 Session: **SB 202**

Department: Cultural Resources

Section: 20B.3

Title: **Archives and Records Management Program Fee**

Summary Amends Article 1 of Chapter 161 to add a new section for fees charged on real estate transactions that are maintained as public records by the Archives and Records Management Program in the Department of Cultural Resources. The fee will be collected by the Register of Deeds and forwarded to county finance officer, who shall remit the fees to the Department on a monthly basis, less a 2% administrative allowance for administrative costs. Revenue to the Department will offset the costs of providing essential records management and archival services for public records pursuant to Chapters 121 and 132. The fee becomes effective October 1, 2009, and applies to all deeds filed, registered, or recorded on or after that date.

Cultural Resources - Roanoke Island Commission

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$2,095,402		\$2,095,402	
Legislative Changes				
1584 Roanoke Island Commission				
45 Reduce Funding	(\$104,770)	R	(\$104,770)	R
Reduce funding transferred to the Commission.				
Total Legislative Changes	(\$104,770)	R	(\$104,770)	R
Total Position Changes				
Revised Budget	\$1,990,632		\$1,990,632	

Special Provisions

2009 Session: SB 202

Department: Cultural Resources - Roanoke Island Commission

Section:

Title: (No Special Provisions Reported)

Summary

General Assembly

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$62,347,066	\$64,056,544

Legislative Changes

46 Adjust Continuation Budget	(\$4,815,129)	R	(\$4,273,011)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
53111 EPA-REG Salaries-APPRO	(\$492,807)		(\$653,007)	
531311 Reg (N S) Temp Wages - APPR	(\$520,949)			
531411 OT Pay-Approp	(\$10,436)			
531461 EPA&SPA-Longvty Pay-APPR	(\$165,858)		(\$404,934)	
531511 Social SEC Contrib-APPRO	(\$98,818)		(\$251,518)	
531521 Reg Retire Contrib-APPR	(\$53,845)			
531561 Med Ins Contrib-Appro	(\$99,970)		(\$133,222)	
531631 Wrker Comp-Med Payments	(\$14,469)		(\$19,281)	
532140 Contractual Services	(\$71,765)		(\$60,611)	
532199 MISC Contractual Service	(\$249,560)		(\$357,680)	
532300 Repair Services	(\$180,860)		(\$241,017)	
532400 Maintenance Agreements	(\$45,775)		(\$161,507)	
532500 Rentals/Leases	(\$60,382)		(\$80,466)	
532700 Travel/Other Employee Ex	(\$21,776)			
532800 Communication & Data Proc	(\$16,093)		(\$9,877)	
533100 General Admin Supplies	(\$1,219)			
533400 Food & Dietary Supplies	(\$20,164)		(\$27,746)	
533800 Purchases for Resale	(\$8,662)		(\$20,309)	
534500 Equipment	(\$126,530)		(\$462,271)	
534600 Art, Other Artifacts & Lit	(\$1,447)			
534700 Intangibles Assets	(\$91,512)		(\$7,761)	
535800 Other Administrative Exp	(\$37,379)		(\$60,707)	
537195 Agency Reserves	(\$2,424,853)		(\$1,321,097)	
47 Management Flexibility Reserve	(\$928,406)	R	(\$1,128,091)	R

Department-Wide

48 Eliminate Vacant Positions and Adjust Additional Expenditure Accounts

(\$1,492,523) R (\$1,438,958) R

Eliminate salary and fringes for 21 vacant positions: 3 in the Senate and 18 in the House; reduce temporary wages for NCSU Interns; and increase Food Services sales by 10%.

-21.00

-21.00

Vacant Positions

531111 Salaries	(\$1,023,814)	(\$1,023,814)
531511 Soc Security	(\$78,322)	(\$78,322)
531521 Retirement	(\$87,434)	(\$91,529)
531561 Medical Ins	(\$95,067)	(\$103,509)

Intern Program

532199015 Misc - Intern Services (\$115,500) (\$42,000)

1216 Food Services

533400 Food & Vending Services (\$92,377) (\$99,784)

49 Adjust Health Insurance Expense

(\$632,000) R (\$632,000) R

Partially fund employer's portion of health insurance premiums.

Total Legislative Changes

(\$7,868,058) R (\$7,472,060) R

Total Position Changes

-21.00

-21.00

Revised Budget

\$54,479,008

\$56,584,484

Special Provisions

2009 Session: SB 202

Department: General Assembly

Section:

Title: (No Special Provisions Reported)

Summary

Governor

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$6,616,233	\$6,622,879

Legislative Changes

50 Adjust Continuation Budget (\$89,672) R (\$96,318) R
 Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

531311	Temp Wages	(\$52,676)	(\$52,676)
531461	Longevity Inc	(\$2,993)	(\$6,524)
531511	SS Contri	(\$229)	(\$499)
531521	Ret Contri Inc	(\$243)	(\$531)
532182	Laundry Svs	(\$601)	(\$601)
532185	Waste REM	(\$250)	(\$250)
532200	Utility	(\$15,549)	(\$16,327)
532500	Rental/Lease	(\$17,131)	(\$18,910)

51 Various Additional Reductions (\$85,633) R
 Reduce various operating accounts in Funds 1110, 1120, and 1631 in FY 10-11:

1110 Administration

532811	Telephone Service	(\$5,000)
532814	Cellular phone service	(\$2,000)
532822	Managed lan Service	(\$50,000)

1120 Dues to National Org

535830	Membership Dues	(\$25,633)
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1631 Raleigh Exec Mansion

532714	Transportation ground-in-state	(\$3,000)
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Department-Wide

52 Reduce Expenditure Accounts (\$112,832) R (\$109,304) R
 Reduce expenditure accounts in the Administration (1110), Intergovernmental Relations (1130), and Raleigh Mansion (1631), and Western Residence (1632) Funds in the following budget areas each year:

Personal Services	(\$42,657)	(\$39,129)
Purchased Services	(\$53,050)	(\$53,050)
Supplies	(\$15,000)	(\$15,000)
Property, Plant, & Equipment	(\$2,125)	(\$2,125)

FY 09-10

FY 10-11

53 Reduce Various Accounts

(\$263,420) R

(\$263,885) R

Reduce expenditure accounts in the Administration (1110), Intergovernmental Relations (1130), and 21st Century Skills (1240) Funds in the following areas each year:

Purchased Services - (\$151,734) and (\$152,199)
 Property, Plant, & Equipment (\$6,000) each fiscal year
 Other Expenses - (\$105,686) each fiscal year

Total Legislative Changes

(\$465,924) R

(\$555,140) R

Total Position Changes

Revised Budget

\$6,150,309

\$6,067,739

Special Provisions

2009 Session: SB 202

Department: Governor

Section:

Title: **Refer to Section 6.6C (SB 202) - American Recovery and Reinvestment Act of 2009 Funds
Appropriated**

Summary See summary in the Statewide Reserves section of this report.

Housing Finance Agency

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$14,608,417	\$14,608,417

Legislative Changes

54 NO LEGISLATIVE ACTION REPORTED

Total Legislative Changes

Total Position Changes

Revised Budget	\$14,608,417	\$14,608,417
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Special Provisions

2009 Session: SB 202

Department: Housing Finance Agency

Section:

Title: (No Special Provisions Reported)

Summary

Insurance

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$33,824,822		\$33,887,006	
Legislative Changes				
55 Reduce NC Auto Retrospective Insurance Fund				
Reduce special fund 6110, NC Auto Retrospective Insurance Fund.	(\$1,300,000)	NR	(\$1,300,000)	NR
56 Reduce State Property Fire Insurance Fund				
Reduce special fund 6100, State Property Fire Insurance Fund.	(\$200,000)	NR	(\$200,000)	NR
57 Adjust Continuation Budget				
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.	(\$144,300)	R	(\$144,300)	R
Total Legislative Changes	(\$144,300)	R	(\$144,300)	R
Total Position Changes	(\$1,500,000)	NR	(\$1,500,000)	NR
Revised Budget	\$32,180,522		\$32,242,706	

Special Provisions

2009 Session: SB 202

Department: Insurance

Section: 21.1

Title: **Set Insurance Regulatory Charge**

Summary The Insurance Regulatory Charge rate is set at 5.5% for the 2009 calendar year and at 6.0% for the 2010 calendar year.

Section: 21.2

Title: **Premium Finance Company License Fee Revisions**

Summary Increase Premium Finance Company license fees: type "A" licenses from \$300 to \$600; type "B" licenses from \$1,200 to \$2,400; branch office licenses (initial and renewal "A" or "B" licenses) from \$50 to \$100.

Section: 21.3

Title: **Building Code Officials Certification Renewal Late Fee Increase**

Summary Increase the Building Code Officials certification renewal late fee from \$2 to \$4.

Section: 21.4

Title: **Manufactured Housing Board License Fee Revisions**

Summary Increase Manufactured Housing Board license fees: application fee cap from \$300 to \$350; renewal fee cap from \$300 to \$350; late filing fee cap from \$300 to \$350.

Section: 21.5

Title: **Collection Agency License Fee Increase**

Summary Increase collection agency license fee from \$500 to \$1,000.

Section: 21.6

Title: **Motor Club License Fee Increase**

Summary Increase fees for motor club licenses: motor club license fee from \$300 to \$600; branch/district office of motor club license fee from \$50 to \$100; franchise motor club license fee from \$100 to \$200.

Section: 21.7

Title: **Bail Bondsmen and Runners Fee Increases**

Summary Increase bail bondsman license fee from \$100 to \$200 and runner license fee from \$60 to \$120.

Section: 21.8

Title: **Home Inspector License Fee Increases**

Summary Increase home inspector license fees: home inspector license from \$25 to \$35; associate home inspector license from \$15 to \$20; home inspector examination fee from \$75 to \$80; renewal of home inspector license from \$150 to \$160; renewal of associate home inspector license from \$100 to \$110; late renewal of home inspector license from \$25 to \$30; late renewal of associate home inspector license from \$15 to \$20.

Section: 21.9

Title: **CCRC Application and Annual Disclosure Filing Fee Increases**

Summary Increase continuing care retirement communities' (CCRC) license fees: license application fee from \$200 to \$500; annual disclosure statement filing fee from \$100 to \$1,000.

Section: 21.10

Title: **Health Maintenance Organization Fee Increases**

Summary Increase health maintenance organization (HMO) fees: application filing fee from \$250 to \$500; annual license continuation fee from \$1,500 to \$2,000.

Section: 21.11

Title: **Insurance Company Application and Licensing Fee Increases**

Summary Increase insurance company application and licensing fees: application filing & examination fee from \$250 to \$1,000; annual license fee (excluding domestic farmers' mutual assessment fire insurance companies, fraternal orders, & certain mutual burial associations) from \$1,500 to \$2,500.

Section: 21.12

Title: **Liability Risk Retention and Purchasing Group Fee Increases**

Summary Increase liability risk retention and purchasing group fees: risk retention group registration fee from \$250 to \$500; purchasing group registration fee from \$50 to \$500; risk retention group renewal fee from \$1,000 to \$1,500; purchasing group renewal fee from \$50 to \$100.

Section: 21.13

Title: **Medical Service Corporation Fee Increases**

Summary Increase medical service corporations' annual license continuation fee for full service corporations from \$1,500 to \$2,000. The annual license continuation fee for single service corporations will remain at \$1,500.

Section: 21.14

Title: **Surplus Insurance Lines Application and License Fee Increases**

Summary Increase surplus insurance lines application and license fees: license fee renewal from \$250 to \$500; renewal fee from \$500 to \$1,000.

Section: 21.15

Title: **Accredited Reinsurance License Fee Increase**

Summary Increase accredited reinsurance annual filing fee from \$500 to \$750.

Section: 21.16

Title: **Third-Party Insurance Administrator License Fee Increase**

Summary Increase third-party insurance administrator fee for issuance or renewal of license from \$100 to \$300.

Section: 21.17

Title: **Viatical Settlement Provider and Broker License Fee Increases**

Summary Increase viatical settlement provider and broker license fees: license application fee from \$100 to \$500; annual renewal fee from \$100 to \$500.

Insurance - Volunteer Safety Workers'
Compensation Fund

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$4,500,000		\$4,500,000	
Legislative Changes				
58 Reduce Volunteer Safety Workers' Compensation Fund				
Reduce Volunteer Safety Workers' Compensation Fund.	(\$2,500,000)	NR	(\$2,938,154)	NR
Total Legislative Changes	(\$2,500,000)	NR	(\$2,938,154)	NR
Total Position Changes				
Revised Budget	\$2,000,000		\$1,561,846	

Special Provisions

2009 Session: SB 202

Department: Insurance - Volunteer Safety Workers' Compensation Fund

Section:

Title: (No Special Provisions Reported)

Summary

Lieutenant Governor

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$966,706		\$966,706	
Legislative Changes				
59 Adjust Continuation Budget	(\$5,673)	R	(\$5,673)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
531321 Contr Empl Per IRS Approp	(\$4,843)		(\$4,843)	
531461 EPA&SPA-Longvty Pa-APPR	(\$830)		(\$830)	
60 Additional Reduction			(\$12,499)	R
Reduce funding in operating account 531111 - Salaries in FY 10-11.				
Department-Wide				
61 Reduce Various Operating Accounts	(\$16,831)	R	(\$16,831)	R
Reduce various operating accounts in the following line items:				
532143 LAN Support Services (\$2,341)				
532144 PC/Printer Support Services(\$14,490)				
Total Legislative Changes	(\$22,504)	R	(\$35,003)	R
Total Position Changes				
Revised Budget	\$944,202		\$931,703	

Special Provisions

2009 Session: SB 202

Department: Lieutenant Governor

Section:

Title: (No Special Provisions Reported)

Summary

Office of Administrative Hearings

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$4,266,407		\$4,279,242	
Legislative Changes				
62 Various Additional Reductions			(\$55,330)	R
Reduce funding in various operating accounts in FY 10-11:				
531631 Workers Compensation (\$3,614)				
531651 Compensation to Board Members (\$11,400)				
534713 PC Software (\$1,000)				
5727XX Travel (\$5,000)				
535830 Dues & Subscriptions (\$2,000)				
534521 Office Equipment (\$1,800)				
534630 Library & Learning Resources (\$17,567)				
534534 PC & Printer Purchase (\$12,949)				
Department-Wide				
63 Eliminate Vacant Positions	(\$110,895)	R	(\$112,436)	R
Eliminate 3 vacant positions:				
	-3.00		-3.00	
60088606 - Processing Assistant V - (\$30,651)				
60088587 - Processing Assistant IV - (\$25,705)				
60088576 - Processing Assistant IV - (\$27,398)				
Total Legislative Changes	(\$110,895)	R	(\$167,766)	R
Total Position Changes	-3.00		-3.00	
Revised Budget	\$4,155,512		\$4,111,476	

Special Provisions

2009 Session: SB 202

Department: Office of Administrative Hearings

Section: 21A.1

Title: Fees for Filing Contested Case Hearings Before the Office of Administrative Hearings

Summary Assess a new filing fee of \$125 for contested case hearings with the Office of Administration Hearings. Fees may be waived in the case of petitions filed in forma pauperis or in which the losing party in the case is the State.

Section: 21A.2

Title: Reduce Compensation for Rules Review Commission Members

Summary Amend G.S. 143B-30.1(d) to reduce compensation for Rules Review Commission members from \$200 to \$150 for each day or part of day of service.
S.L. 2009-575, Section 19 amends this provision to be effective for fiscal year 2010-11.

Section: 19

Title: TECHNICAL CHANGE: Reduce Compensation for Rules Review Commission Members

Summary Amends S.L. 2009-451, Sec. 21A.2, to make this provision effective for Fiscal Year 2010-11.

Revenue

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$91,347,503	\$91,440,473

Legislative Changes

64 Adjust Continuation Budget (\$1,879,056) R (\$1,960,164) R

Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

531311	Reg (N S) Temp Wages-APPR	(\$695,506)	(\$683,906)
531411	OT Pay-Approp	(\$30,435)	(\$30,435)
531431	Shift Prem Pay-APPR	(\$3,763)	(\$3,763)
531461	EPA&SPA-Longvty Pay-APPR	(\$198,039)	(\$257,543)
531511	Social SEC Contrib-APPRO	(\$66,589)	(\$70,881)
531521	Reg Retire Contrib-APPR	(\$16,119)	(\$20,962)
531631	Wrker Comp-Med Payments	(\$6,845)	(\$6,845)
532110	Legal Services	(\$13,153)	(\$13,153)
532140	Info Tech SVC	(\$660,972)	(\$660,972)
532170	Contractual Services	(\$28,795)	(\$28,795)
532184	Janitorial Ser Agreement	(\$7,302)	(\$7,302)
532185	Waste Rem Agreement	(\$659)	(\$659)
532191	Payments-Empl on Loan	(\$9,957)	(\$9,957)
532199	Misc Contractual Services	(\$50,433)	(\$50,433)
532200	Utility/Energy Services	(\$7,119)	(\$7,176)
532500	Rental/Leases	(\$75,024)	(\$99,036)
535200	Pension Payments	(\$8,346)	(\$8,346)
Total		(\$1,879,056)	(\$1,960,164)

65 Various Additional Reductions

(\$1,182,309) R

Eliminate fourteen (14) vacant position, reduce funding in the Guest Worker Program, and reduce funding in various operating accounts in FY 10-11:

-14.00

Vacant Positions:

60081301 Personnel Assistant IV (HR Operations) (\$25,705)

60081460 Assistant Director (Sales and Use Tax) (\$80,145)

60081432 Program Assistant V (Personal Taxes) (\$27,544)

60081488 Auditor (Taxpayer Assistance) (\$42,833)

60081496 Auditor (Taxpayer Assistance) (\$42,833)

60085100 Auditor (Taxpayer Assistance) (\$42,833)

60081583 Information Pro Tech (Taxpayer Assistance)

(\$29,502)

60081605 Proc'ing Unit Sup V (Taxpayer Assistance)

(\$32,546)

60081769 LEO Agent (Unauthorized Substance Tax) (\$43,155)

60082437 Staff Development Coordinator (HR) (\$42,833)

60082488 Processing Assistant IV (Admin Services) (\$25,705)

60082512 Assistant Director (Admin Services) (\$60,691)

60082527 Payroll Clerk V (\$27,544)

65005035 Operations and Systems Specialist (IT) (\$84,375)

Total: 531211 Salaries (\$608,244)

531511 Social Security (\$46,531)

531521 Retirement (\$50,519)

531531 LEO Retirement Contrib. (\$6,016)

531561 Medical Insurance Contrib. (\$69,006)

Reduction to Guest Worker Program (\$125,000)

Reduce Various Operating Accounts (\$276,993)

1660 Examination & Collection

66 Eliminate \$300 Per Month Stipend for Interstate Auditors

(\$132,030) R

(\$132,030) R

Eliminate the \$300 per month stipend for 37 interstate auditors.

1664 Guest Worker Program

67 Adjust Appropriation for Guest Worker Program

(\$375,000) R

(\$375,000) R

Adjust the appropriation for the Guest Worker Program to better reflect actual expenditure needs. This program provides information to non-English speaking people regarding their obligation to file taxes and how to obtain assistance in filing taxes.

Total Legislative Changes

(\$2,386,086) R

(\$3,649,503) R

Total Position Changes

-14.00

Revised Budget

\$88,961,417

\$87,790,970

Special Provisions

2009 Session: SB 202

Department: Revenue

Section:

Title: Refer to Section 6.20 (SB 202) - Pilot Program to Allow Public-Private Partnerships to Meet Department of Revenue Technology Needs

Summary: See summary in the Statewide Reserves section of this report.

Secretary of State

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$11,854,656	\$11,928,530

Legislative Changes

68 Adjust Continuation Budget (\$17,902) R (\$180,537) R

Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

531411	OT Pay-Approp	(\$0)	(\$8,957)
531461	EPA&SPA-Longvty Pay-APPR	(\$0)	(\$21,534)
531511	Social SEC Contrib-APPRO	(\$0)	(\$2,637)
531521	Reg Retire Contrib-APPR	(\$0)	(\$2,166)
531561	Med Ins Contrib-Appro	(\$0)	(\$40)
531631	Wrker comp-Med Payments	(\$0)	(\$10,297)
532170	02Min. Services	(\$17,902)	(\$79,235)
532500	Rentals/Leases		(\$10,563)
532800	Communication & Data Proc		(\$45,108)

69 Various Additional Reductions (\$100,110) R

Reduce funding in various operating accounts in Funds 1120, 1210, 1220, and 1230 in FY 10-11:

1120 Publication
532850 Printing (\$19,910)

1210 Corporations
Reduce operating budget expenditure accounts:
532170 Temporary Services (\$27,500)
532840 Postage (\$13,700)

1220 Certification & Filing
Convert rent for Health Care Registry to receipts
532512 Office Rent (\$4,000)

Reduce operating budget expenditure accounts:
532524 Rent of Office Equip. (\$20,000)
532714 Travel (\$5,000)

1230 Securities
532714 Travel (\$10,000)

FY 09-10

FY 10-11

1220 Certification & Filing Division

70 Eliminate Vacant Positions

(\$111,012) R (\$111,012) R

Eliminate \$111,012 for salaries and benefits of three vacant positions:

-3.00 -3.00

60008713	Processing Asst V	\$27,544
60008750	Processing Asst V	\$29,601
60008751	Processing Asst V	\$27,544

1600 Charitable Solicitation Licensing

71 Reduce Expenditure Accounts

(\$95,664) R (\$95,664) R

Reduce funding for office rent and business license fees.

Total Requirements	\$95,664
Total Receipts	(\$95,664)
Appropriation	\$ 0

Department-Wide

72 LAN Support Services

\$10,281 R \$10,281 R

Restore reductions to LAN support services.

Total Legislative Changes

(\$214,297) R (\$477,042) R

Total Position Changes

-3.00 -3.00

Revised Budget

\$11,640,359 \$11,451,488

Special Provisions

2009 Session: SB 202

Department: Secretary of State

Section: 24.1

Title: Increase Registration Fee Renewal for Securities Salesmen

Summary The annual renewal registration fee charged to investment firms to renew licenses of securities salesmen selling investment products in the State is increased from \$75 to \$125. The Administrator may by rule reduce the registration fee proportionately when the registration will be effective for less than a full year.

Section: 24.2

Title: Create Special Fund for Auction Rate Securities Investigations Costs

Summary In accordance with Section (a), the Auction Rate Securities (ARS) Investigation Special Fund is established from unexpended funds existing from FY 2008-09 reimbursement of the costs incurred by the Secretary of State resulting from investigations related to the administration of Chapters 78A, 78C, and 78D. The ARS Investigation Special Fund shall be used to continue the Department's active participation in the North American Securities Administrators Association (NASAA) ARS Task Force investigation into the marketing of ARS by the regulated community to investors as well as remedies for harm arising from such marketing. Reimbursements paid by investment banks and firms as part of the Department's involvement in the NASAA ARS Task Force shall be deposited into the ARS Investigation Special Fund. Per Section (b), the ARS Investigation Special Fund may have a maximum balance of \$3.2 million and any funds that exceed this amount must be deposited immediately into the General Fund. Finally, Section (c) directs that other monies received as reimbursement for costs of investigations into activities that are not part of the NASAA ARS Task Force shall also be deposited into the ARS Investigation Special Fund and remain available to the Department for administration of Chapters 78A, 78C, and 78D, subject to the maximum allowable balance of \$3.2 million.

State Board of Elections

GENERAL FUND

	FY 09-10		FY 10-11
Adjusted Continuation Budget	\$6,627,101		\$6,630,894
Legislative Changes			
73 Various Additional Reductions			(\$85,736) R
Reduce various operating accounts in Funds 1110 and 1200 in FY 10-11:			
1110 532513 (\$24,000)	Rent/lease of one of our two offices		
532942 (\$500)	Other employee educational expense		
533150 (\$12,100)	Security and safety supplies		
533510 (\$500)	Clothing and uniforms		
533720 (\$21,690)	Educational supplies		
535830 (\$3,000)	Membership dues and subscriptions		
535900 (\$5,000)	Other expenses		
1200 532199 (\$10,000.00)	Miscellaneous contractual service		
532170 (\$8,939.00)	Administrative services		
74 Adjust Continuation Budget	(\$11,667)	R	(\$11,667) R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.			
532170 Admin Services	(\$11,667)		(\$11,667)
Department-wide			
75 Eliminate Vacant Positions	(\$308,211)	R	(\$312,283) R
Eliminate 5 vacant positions:			
	-5.00		-5.00
60088225 - Applications Programmer - (\$35,812)			
60088253 - Governmental Accounts Auditor II - (\$44,084)			
60088260 - Audit Specialist (Time-limited) - (\$48,139)			
60088255 - Governmental Accounts Auditor III - (\$52,742)			
60088262 - Audit Specialist - (\$44,810)			
Reserves and Transfers			
76 Reduce Voter-Owned Elections Fund Balance	(\$1,500,000)	NR	
Reduce Voter-Owned Elections Fund balance.			

FY 09-10

FY 10-11

Total Legislative Changes	(\$319,878) R	(\$409,686) R
	(\$1,500,000) NR	
Total Position Changes	-5.00	-5.00
Revised Budget	\$4,807,223	\$6,221,208

Special Provisions

2009 Session: SB 202

Department: State Board of Elections

Section:

Title: (No Special Provisions Reported)

Summary

State Budget & Management

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$7,144,221	\$7,147,928

Legislative Changes

77 Adjust Continuation Budget	(\$1,665)	R	(\$5,246)	R
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Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

531461 EPA&SPA-Longvty Pay-APPR	(\$1,229)	(\$4,431)
531511 Social SEC Contrib-APPRO		(\$119)
531521 Reg Retire Contrib-APPR	(\$86)	(\$346)
532120 Finan/Audit	(\$350)	(\$350)

78 Various Additional Reductions			(\$92,421)	R
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Reduce various operating accounts in Funds 1310 and 1312 in FY 10-11:

1310 OSBM		
532840 Postage	(\$2,000)	
532850 Print, bind, duplicate	(\$3,000)	
532930 Registration	(\$1,000)	
533120 Data processing supplies	(\$2,003)	
533110 Office supplies	(\$5,000)	
533190 Other admin supplies	(\$250)	
533900 Other material and supplies	(\$2,000)	
535900 Other expenses	(\$2,000)	
534511 Furniture	(\$3,000)	
534521 Office equipment	(\$1,328)	
534530 Other DP equipment	(\$500)	
532821 Computer/Data Processing	(\$63,340)	
1312 Internal Audit		
532199 Contract Services	(\$6,000)	
532930 Registration	(\$1,000)	

Department-Wide

79 Eliminate Vacant Position.	(\$32,831)	R	(\$32,831)	R
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Eliminate salary (\$24,764) and benefits (\$8,067) of one vacant position - # 60014796, Building & Environmental Technician.

	-1.00		-1.00
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2009 Annotated Conference Committee Report

FY 09-10

FY 10-11

80 Reduce Various Accounts

(\$185,071) R (\$185,330) R

Reduce expenditure accounts in the Office of State Budget (1310), and Internal Audit (1312) Funds in the following budget areas each fiscal year:

Purchased Services - (\$159,771) and (\$160,030)
 Property, Plant, & Equipment - (\$17,300) each fiscal year
 Other Expenses - (\$8,000) each fiscal year

81 Reduce Expenses

(\$322,134) R (\$324,291) R

Reduce expenditure accounts in the Office of State Budget (1310), and Internal Audit (1312) Funds in the following budget areas each year and eliminate salaries and fringes of three vacant positions:

Purchased Services (\$15,400) each fiscal year
 Property, Plant, & Equipment (\$17,000) each fiscal year

Personnel Reductions
 60008550 State Demographer (\$87,258)
 60008597 Budget Analyst (\$72,916)
 60089830 State Budget Mgmt Analyst (\$77,500)

-3.00 -3.00

82 Eliminate Reserve for Rules Impact Review

(\$100,000) R (\$100,000) R

Eliminate funding for the Reserve for the Rules Impact Review.

Total Legislative Changes

(\$641,701) R (\$740,119) R

Total Position Changes

-4.00 -4.00

Revised Budget

\$6,502,520 \$6,407,809

Special Provisions

2009 Session: SB 202

Department: State Budget & Management

Section: 22.1

Title: **Study OSBM, OSC, and Treasurer Consolidation**

Summary The Program Evaluation Division is directed to review the constitutional duties of the Governor in preparing and executing the budget and the constitutional status of the duties of the office of the State Treasurer and, after so doing, shall study the feasibility of consolidating the Office of State Controller, Office of State Budget and Management, and some of the functions of the State Treasurer, or reallocating functions of those agencies with the goal of achieving economies or improving management. The Program Evaluation Division must report its findings and recommendations no later than April 1, 2010 to the full chairs of the Senate and House Appropriations Committees and the Fiscal Research Division.

Section:

Title: **Refer to Section 6.3 (SB 202) - Budget Realignment**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.6B (SB 202) - Consultation Required Before Creation of Special Funds**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.6F (SB 202) - Establish Severance Expenditure Reserve**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.7 (SB 202) - Information Technology Operations**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.9 (SB 202) - BEACON Data Integration**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.13 (SB 202) - Office of Information Technology Services/Network Integration/Feasibility Study and Coordination Plan**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.14 (SB 202) - Upgrade State Portal**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.16 (SB 202) - Use of Electronic Forms and Digital Signatures**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.17 (SB 202) - Position Transfer Reports/Office of Information Technology Services/Office of State Controller/Office of State Budget and Management**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.18 (SB 202) - Information Technology Contracted Personnel**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.19 (SB 202) - State Information Technology Infrastructure Consolidation**

Summary See summary in the Statewide Reserves section of this report.

State Budget and Management - Special

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$4,280,000		\$4,280,000	
Legislative Changes				
83 Adjust Continuation Budget	(\$56,535)	R	(\$56,535)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
537120 Reserve-Moving Expenses	(\$56,535)		(\$56,535)	
84 Additional Reduction			(\$55,340)	R
Reduce funding in FY 10-11 to Fund 1023 - Fire Protection Grants.				
Grants to Non-Government Agencies				
85 Reduce Pass-Through Funding	(\$7,000)	R	(\$7,000)	R
Reduce grant funding to NC Humanities Council by 7% each fiscal year.				
Reserves and Transfers				
86 NC Symphony	\$1,500,000	NR		
Appropriate funding for Symphony to leverage match to support the operation. (S.L.2009-451, Sec. 22.2) (H.B. 1550)				
87 Military Morale and Welfare Fund	\$750,000	NR		
Appropriate funding to sustain historical grants to military installations to provide community service and quality-of-life programs for military members and families.				
Total Legislative Changes	(\$63,535)	R	(\$118,875)	R
	\$2,250,000	NR		
Total Position Changes				
Revised Budget	\$6,466,465		\$4,161,125	

Special Provisions

2009 Session: SB 202

Department: State Budget and Management - Special

Section: 22.2

Title: **Funds for NC Symphony**

Summary In FY 2009-10 to assist the NC Symphony in achieving its goal to raise \$8,000,000 in non-State funding to support the operation of the Symphony, the OSBM may allocate the \$1,500,000 non-recurring appropriation in OSBM-Special Appropriations in the following increments:

(1) Upon raising \$4,000,000 in non-State funding the NC Symphony may receive the sum of \$500,000.

(2) Upon raising an additional \$2,000,000 in non-State funding for a total amount of \$6,000,000 the NC Symphony may receive the sum of \$500,000.

(3) Upon raising an additional \$2,000,000 in non-State funding for a total amount of \$8,000,000 the NC Symphony may receive the final sum of \$500,000.

This funding is in addition to other funds appropriated for the NC Symphony in FY 2009-10.

State Controller

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$24,536,602	\$24,568,908

Legislative Changes

88 Reduce Various Operating Accounts (\$336,025) R (\$477,974) R

Reduce the same amount of recurring and non-recurring expenses in various IT accounts each fiscal year and eliminate funding for ITS support:

	FY 09-10	FY 10-11
532821 eRoom Red in Licenses (400 to 200)	(\$130,224)	(\$130,224)
532140 Eliminate ITS Support		(\$101,222)
532821 Discontinue SQA-OSC Dedicate	(\$205,801)	(\$246,528)

89 Adjust Continuation Budget (\$345,105) R

Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

531461 EPA&SPA-Longvty Pay-APPR	(\$79,347)
531511 Social SEC Contrib-APPRO	(\$6,070)
531521 Reg Retire Contrib-APPR	(\$6,459)
531627 St Disability PMT-APPR	(\$3,470)
532120 Financial/Audit Services	(\$9,753)
532144 Personal Computer Support	(\$88,392)
532145 Server Support Service	(\$48,273)
532500 Rentals/Leases	(\$103,341)

90 Various Additional Reductions (\$88,053) R

Reduce the following operating budget expenditure accounts in FY 10-11:

535830 Dues and Subscriptions	(\$46,900)
532513 Rent lease -other facility	(\$5,920)
5327XX Travel	(\$35,233)

1000 Department-Wide

91 Operational Support for HR/Payroll System (BEACON)

\$600,000 R

Funding is appropriated in FY 2010-11 to stabilize the BEACON payroll system. Funding will support recurring expenses for software maintenance, the telephone application system (Shared Service Center), ticket-tracking, system hosting, disaster recovery, and data storage costs. The appropriation also includes funding for five new positions that are needed to reduce dependence on contractors.

5.00

531211 Salaries	\$ 276,779
531511 Social Sec	\$ 21,173
531521 Retirement	\$ 22,530
531561 Medical Ins	\$ 17,319
532XXX Purchased Svs	\$ 262,199

92 Eliminate Vacant Positions and Operating Budget Accounts

(\$608,231) R

(\$609,024) R

Eliminate salaries and benefits of two vacant positions and reduce operating budget accounts.

-2.00

-2.00

	FY 09-10	FY 10-11
Salaries - Approp. (2 positions)	(\$198,195)	(\$198,195)
Social Sec. Contribution-Approp.	(\$ 15,162)	(\$ 15,162)
Reg. Retirement Approp.	(\$ 16,926)	(\$ 17,719)
Medical Insurance	(\$ 8,314)	(\$ 8,314)
Travel	(\$ 38,000)	(\$ 38,000)
Data Processing	(\$301,378)	(\$301,378)
LAN services - 532822	(\$ 30,256)	(\$ 30,256)

93 Fund-shift Positions to Receipt Support

(\$91,488) R

(\$91,488) R

Transfer two positions - an Accountant (1 FTE) and a Senior State Management Analyst (.25 FTE) - that support the NC FLEX Benefits Program from appropriation to receipt support generated by the program:

-1.25

-1.25

531211 Salaries	(\$74,525)
531511 Social Security	(\$ 5,701)
531521 Retirement	(\$ 6,066)
531561 Medical Insurance	(\$ 5,196)

2009 Annotated Conference Committee Report

FY 09-10

FY 10-11

94 Eliminate Internship Program

(\$119,052) R (\$119,052) R

Eliminate funding for OSC's Internship Program with the reduction of 6 positions at .75 FTE for a total of 4.5 FTE that had salaries of \$18,432 each and benefits of \$8,460:

-4.50 -4.50

Position #	Title
60087170	Integration Intern
60087172	Communications Intern (P/T)
60087173	PMO Intern (P/T)
60087219	Technical Infrastructure Intern

531351 Student Temp Wages	(\$110,592)
531511 Social Security	(\$ 8,460)

95 Eliminate Vacant Positions

(\$250,005) R (\$250,005) R

Eliminate salaries (\$197,962) and benefits (\$52,043) of five vacant positions:

-5.00 -5.00

Position #	Title	Budgeted Salary
60087168	Financial Spec	(\$54,540)
60014113	Admin Support Spec	(\$26,444)
60037611	Admin Assistant I	(\$34,842)
60091145	Admin Officer III	(\$43,157)
60092193	Admin Support Spec	(\$38,979)

Total Legislative Changes

(\$1,404,801) R (\$1,380,701) R

Total Position Changes

-12.75 -7.75

Revised Budget

\$23,131,801 \$23,188,207

Special Provisions

2009 Session: SB 202

Department: State Controller

Section: 23.1

Title: **Overpayments Audit**

Summary The Office of State Controller is allowed to use up to \$500,000 each fiscal year for data processing costs from receipts generated from collection of inadvertent overpayments by State agencies. All funds available in the Special Reserve Account on July 1 above the \$500,000 allowance shall be transferred to the General Fund. The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and Fiscal Research Division on the revenue deposited into the Special Reserve Account.

Section: 23.2

Title: **BEACON Staff to Support Statewide Enterprise Training Program**

Summary Per Section (a), the Office of State Controller (OSC) may use \$364,438 each year of the 2009-11 Biennium to continue salaries and benefits as designated in this Section for 6 full time, time-limited training positions that had an intended effective date of July 1, 2009 to support the statewide enterprise training program. Additionally, Section (b) directs agencies that use BEACON for payroll and personnel purposes to participate in the training program offered by OSC.

Section:

Title: **Refer to Section 6.6B (SB 202) - Consultation Required Before Creation of Special Funds**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.9 (SB 202) - BEACON Data Integration**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.10 (SB 202) - Criminal Justice Data Integration Pilot Program**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.17 (SB 202) - Position Transfer Reports/Office of Information Technology Services/Office of State Controller/Office of State Budget and Management**

Summary See summary in the Statewide Reserves section of this report.

Section:

Title: **Refer to Section 6.18 (SB 202) - Information Technology Contracted Personnel**

Summary See summary in the Statewide Reserves section of this report.

Treasurer

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$11,150,002	\$11,163,790

Legislative Changes

96 Adjust Continuation Budget (\$139,012) R (\$199,735) R
 Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.

531321	Contr Empl Per IRS-APPRO	(\$28,696)	(\$86,438)
531461	EPA&SPA-Longvty Pay-APPR	(\$1,360)	(\$3,641)
531511	Social SEC Contrib-APPRO	(\$5,568)	(\$5,785)
531521	Reg Retire Contrib-APPR	(\$247)	(\$730)
531631	Wrker Comp-MED Payments	(\$31,376)	(\$31,376)
532110	Legal Services	(\$71,765)	(\$71,765)

97 Various Additional Reductions (\$144,346) R
 Reduce various operating accounts in Funds 1210, 1310, and 1510 in FY 10-11:

1210 Investment Division			
531211	Spa Reg Salaries- Appro. Investment Analyst	(\$72,953)	
531511	Social Sec Contrib.-Appro	(\$5,581)	
531521	Reg Retire Contrib.- Appro	(\$5,938)	
531561	Med Ins Contrib.-Appro	(\$4,157)	
1310 Local Government			
532821	Computer/ Data Process	(\$32,953)	
534511	Furn Office	(\$3,000)	
534530	Office DP Equipment	(\$1,192)	
1510 Financial Operations-Bank			
532821	Computer/ Data Process	(\$15,000)	
532430	Maint Agreement -equip	(\$1,572)	
534530	Other DP Equipment	(\$2,000)	

1410 Retirement Systems Division

98 Transfer the National Guard Pension Fund \$7,007,443 R \$7,007,443 R
 Transfer the National Guard Pension Fund from the Department of Crime Control and Public Safety to the Department of State Treasurer. This transfer will allow the Department of State Treasurer to manage this program as it does most of the State's pension programs.

99 Maintenance Costs for ORBIT System

To properly complete the transition of ORBIT receipts for both recurring and non-recurring expenditures are authorized for maintenance of software and hardware which includes an annual recurring expense of \$378,652. The non-recurring portion of funding will decrease each year as the amount of support required by the vendor will phase out by FY 2015-16. Funding is allocated for each fiscal year as indicated below:

	FY 2009-10	FY 2010-11
Recurring	\$378,652	\$378,652
Non-recurring	\$575,025	\$383,250

Department-Wide

100 Eliminate Vacant Positions		(\$210,267)	R	(\$212,151)	R
Eliminate salaries (\$169,280) and benefits (\$40,987) of three vacant positions:					
				-3.00	-3.00
60009060 Investment Analyst	(\$52,624)				
60009205 Accountant	(\$67,656)				
60009053 Executive Assistant	(\$49,000)				
101 Eliminate Vacant Position		(\$49,601)	R	(\$49,601)	R
Eliminate salary and benefits of a vacant position.					
				-1.00	-1.00
Total Legislative Changes		\$6,608,563	R	\$6,401,610	R
Total Position Changes				-4.00	-4.00
Revised Budget		\$17,758,565		\$17,565,400	

Special Provisions

2009 Session: SB 202

Department: Treasurer

Section:

Title: (No Special Provisions Reported)

Summary

Treasurer - Retirement for Fire and Rescue

GENERAL FUND

	FY 09-10	FY 10-11
Adjusted Continuation Budget	\$10,804,671	\$10,804,671

Legislative Changes

102 NO LEGISLATIVE ACTION REPORTED

Total Legislative Changes

Total Position Changes

Revised Budget

\$10,804,671

\$10,804,671

Special Provisions

2009 Session: SB 202

Department: Treasurer - Retirement for Fire and Rescue

Section:

Title: (No Special Provisions Reported)

Summary

Appropriations Subcommittee on Natural and Economic Resources

Subcommittee Summary:

The Natural and Economic Resources Subcommittees, consisting of 15 members of the General Assembly, review and recommend the budgets for four State agencies and various boards, commissions, and non-profits. The Committees' responsibilities encompass such varied topics as economic development, environmental regulations, State parks, marine fisheries, employment, worker safety, agronomic testing, swine farms, and beaver management.

Subcommittee Membership:

Rep. Edith Warren, Chair
 Rep. Pricey Harrison, Chair
 Rep. Garland Pierce, Chair
 Rep. Carolyn H. Justice
 Rep. Winkie Wilkins
 Rep. Michael Wray
 Rep. Angela Bryant
 Rep. James Langdon
 Rep. Ruth Samuelson
 Rep. Efton Sager
 Rep. Roger West

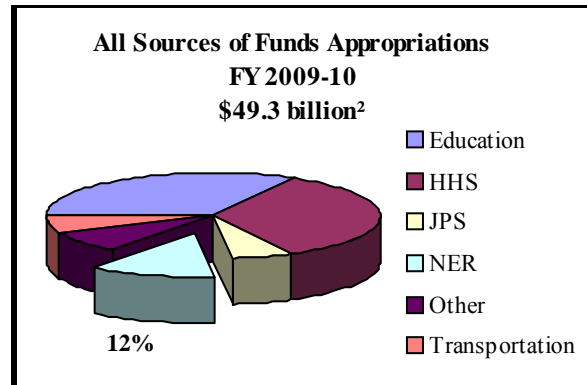
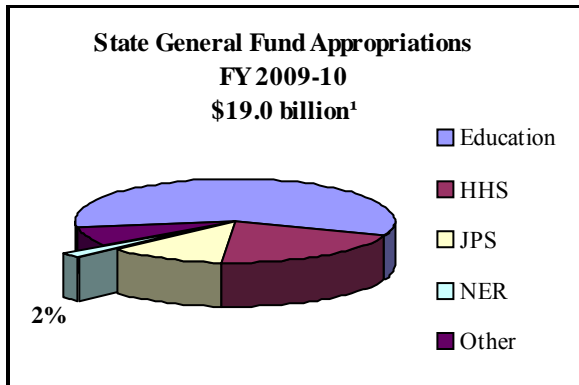
Sen. David Weinstein, Chair
 Sen. Floyd McKissick, Jr., Chair
 Sen. Jim Jacumin
 Sen. David Rouzer

Staff:

Kristine Leggett, Team Leader
 Lanier McRee
 Kristin Walker

Budget Comparison:

The combined budgets under the Natural and Economic Resources Subcommittees total \$437 million or 2.3% of net General Fund appropriations and \$6.1 billion or 12.3% of the total \$49.3 billion appropriated from all sources for FY 2009-10. The following charts illustrate the Natural and Economic Subcommittees' total as compared to other appropriations subcommittee totals:



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Department of Agriculture and Consumer Services

NC Constitution, Art. III, Sec. 7, Other elective officers
 G.S. 106-22 Joint Duties of Commissioner and Board

Agency Description:

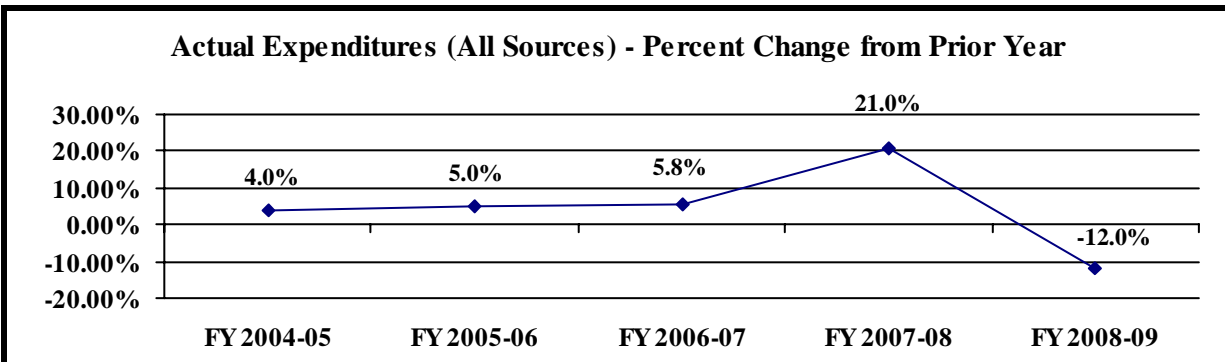
The North Carolina Department of Agriculture and Consumer Services (DACS) administers and enforces agriculture-related statutes covering agriculture practices and regulatory services to ensure consumer protection. The Department's duties include conducting agronomic testing; ensuring animal health; inspecting gas and oil stations; testing food, drugs, and cosmetics; marketing and promoting of agricultural products; operating the State Fair and farmers markets; managing research stations; eradicating nursery and plant pests; and regulating the structural pest control industry. A Commissioner of Agriculture is elected every four years and serves the head of the Department.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	104,726,812	92,173,937	90,424,769	87,943,855
Revenue	33,046,975	31,732,977	27,390,335	27,384,247
Net Appropriations	\$71,679,837	\$60,440,960	\$63,034,434	\$60,559,608
Positions (FTE)	1,195.25	1,193.00	1,172.80	1,172.80

Budget Overview:

Total expenditures for DACS for FY 2009-10 and FY 2010-11 are \$90,424,769 and \$87,943,855 respectively. For FY 2009-10, \$63,034,434, or 69.7%, is from net General Fund appropriations. The remaining 30.3% is largely comprised of federal revenue and receipts for services. Compared to FY 2008-09 actual expenditures, DACS' FY 2009-10 expenditures decreased 1.8%. In FY 2008-09, the Governor required an 8% reversion to help cover the statewide budget shortfall; thus, actual expenditures in FY 2008-09 were lower than the certified budget. DACS' budgeted revenues for FY 2009-10 reflects increased fees for many of its services, such as veterinary testing and nursery registration and certification. In addition, the appropriation to the Agricultural Development and Farmland Preservation Trust Fund (ADFPTF) was reduced from \$4 million nonrecurring in FY 2008-09 to \$2 million nonrecurring in FY 2009-10.

Over the last five years, the average percentage change in actual expenditures was 4.8%.



Department of Agriculture and Consumer Services

Budget Tables

The following table provides a breakdown of the Department of Agriculture and Consumer Services' total General Fund operating budget by division.

Department of Agriculture and Consumer Services (13700 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration		
Agricultural Statistics	1,693,246	1,693,378
Budget & Finance	3,118,915	3,073,132
General Administration	4,235,818	2,270,328
Human Resources Office	1,059,784	1,059,892
Property & Construction	523,956	523,956
Public Affairs	417,445	416,950
Consumer Protection		
Emergency Programs	2,306,974	2,304,761
Food & Drug Protection	9,815,748	9,817,818
Meat & Poultry Inspection	7,639,261	7,639,261
Standards	6,661,831	6,513,016
Structural Pest Control & Pesticides	4,938,711	4,940,601
Veterinary Services	11,378,377	11,373,150
Agricultural Services		
Agronomic Services	4,271,365	4,272,228
Food Distribution	3,495,680	3,497,603
Marketing	9,764,449	9,436,575
Plant Industry	6,657,356	6,657,939
Research Stations	12,445,853	12,453,267
TOTAL	\$90,424,769	\$87,943,855
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$90,424,769	\$87,943,855

Department of Agriculture and Consumer Services

The following table provides a breakdown of the ten funds* administered by DACS, including the General Fund operating budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
DACS (13700 – General Fund)	90,424,769	87,943,855
Livestock Special (23700 – Special Fund)	2,670,079	1,098,495
Tobacco Trust – Special (23703 – Special Fund)	35,041,444	35,041,444
Raleigh Farmers Market (53700 – Enterprise Fund)	1,563,711	1,563,711
Western NC Agricultural Ctr (53725 – Enterprise Fund)	2,797,118	2,797,118
North Carolina State Fair (53750 – Enterprise Fund)	14,988,702	15,738,702
Trust Special (63700 – Trust Fund)	794,635	794,635
Rural Rehab Loans – Proprietary (63702 – Trust Fund)	963,523	963,523
Fianance Authority – Proprietary (63703 – Trust Fund)	1,248,636	1,248,636
Cooperative Grading Program (63704 – Trust Fund)	6,904,427	6,904,427
TOTAL	\$157,397,044	\$154,094,546

Note:

*Total Appropriations by Fund as presented reflect only those budgets as certified by the Office of State Budget and Management.

Other Funds

DACS has six significant programs housed in special funds. These programs are supported by fees generated by their services. Three of these programs operate large facilities; their receipts are also used to operate, maintain, and renovate these facilities.

Raleigh Farmers Market (53700) Balance: \$937,657 (as of June 29, 2009)

The Raleigh Farmers Market, operating since 1961, generated receipts of approximately \$1.48 million in FY 2008-09. These funds are used to operate and manage the facilities. The majority of the receipts are collected from lease agreements on the facilities and short-term rental fees for sellers. In FY 2008-09, the Market had 17 FTE positions and expended \$2.1 million.

Western NC Agricultural Center/Mountain State Fair (53725) Balance: \$2,117,287 (as of June 29, 2009)

Located in Fletcher, the Western NC Agricultural Center hosts the annual Mountain State Fair. Collectively, the Center and the Fair generate \$2.3 million in receipts and fund 13 FTE positions. The Western NC Agricultural Center accounts for approximately 28.4 percent of receipts by promoting the showing and selling of livestock, hosting horse shows, and providing space for training sessions and community events. The Mountain State Fair generates the remaining 71.6% of the receipts from their annual 10-day fair. For FY 2008-09, receipts into the Fund totaled \$2.29 million; expenditures totaled \$2.57 million.

Department of Agriculture and Consumer Services

NC State Fair (53750)

Balance: \$2,815,167
(as of June 29, 2009)

The NC State Fair properties are utilized year-round as rental space but are most well known for the annual State Fair in October. The State Fairgrounds generated \$13.47 million in receipts in FY 2008-09, of which approximately \$9.7 million (72 percent) was generated by the annual State Fair. These receipts support 66 FTE positions that manage the operations, maintain the buildings and grounds, and provide security for the 344-acre property. For FY 2008-09, the fund expended a total of \$15.69 million.

Agricultural Finance Authority (63702 and 63703)

Balance: \$8,871,396
(as of June 29, 2009)

The General Assembly established the Agricultural Finance Authority in 1983 through the North Carolina Agricultural Finance Act (G.S. 122D). The Authority was created to address the “serious shortage of capital and credit available for investment in agriculture” and serves as the lender of last resort for farmers and agribusinesses. The Authority also administers the Rural Rehabilitation Loans program (fund 63702), which provides financing for the purchase, development, and improvement of family farms and food processing plants located in non-urban areas. In FY 2008-09, the combined funds of the Agricultural Finance Authority generated receipts of \$1.6 million, expended \$1.4 million for operations, and had 11 FTE positions.

Cooperative Grading (63704)

Balance: \$6,016,329
(as of June 29, 2009)

Through the Cooperative Grading program, the Department of Agriculture grades agricultural products such as meat, fruits, eggs, and peanuts. Grades help farmers to market their products and/ or meet regulatory guidelines, and help consumers understand product quality. Cooperative Grading receipts totaled \$6 million and expenditures totaled \$5.9 million in FY 2008-09. This program has 87.25 FTE positions.

Tobacco Trust Fund (23703)

Balance: \$17,323,982
(as of June 29, 2009)

The Department of Agriculture and Consumer Services administratively houses the Tobacco Trust Fund. The Tobacco Trust Fund (TTF) was created by S.L. 2000-147 to provide assistance to tobacco producers, allotment holders, and persons involved in or displaced by tobacco-related businesses that were adversely affected by the Master Settlement Agreement (MSA). Funds can be used for compensatory programs and qualified agricultural programs, voted on by an 18-member Commission. To fund these projects, TTF receives 25 percent of the Phase I annual payments from the MSA. However, historically TTF has retained less than 25 percent of the MSA payments, as the General Assembly has utilized this source of revenue for general availability and as a dedicated source of funds for debt service payments for specific university capital projects as prescribed by the State Capital Facilities Act of 2004 (S.L. 2004-179). In the 2007 Legislative Session, G.S. 116-29.1 was amended to dedicate \$8 million annually from TTF to the University Cancer Research Fund (S.L. 2007-323, Section 6.23 (b)). The following table provides a history of total TTF diversions.

Department of Agriculture and Consumer Services

Tobacco Trust Fund Diversions FY 2001-02 to FY 2008-09

Fiscal Year	Amount Diverted (millions)
2001-02	82.0
2002-03	38.0
2003-04	37.1
2004-05	35.0
2005-06	34.0
2006-07	32.8
2007-08	14.4
2008-09	43.1
Total	\$316.4

In FY 2008-09, TTF generated receipts of \$44.6 million, \$43.8 million of which came from the MSA payment. Annual expenditures were \$49.8 million, of which \$6.7 was used for grants and administrative costs. The remaining \$43.1 million was used for debt service, cancer research, and to help cover the State's budget shortfall. The estimated MSA payment for FY 2009-10 is \$33.5 million, of which approximately \$23.3 million will be transferred for debt service and cancer research. An additional \$5 million will be transferred to the General Fund.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Department of Commerce

G.S. 143B-431 Department of Commerce - functions

Agency Description:

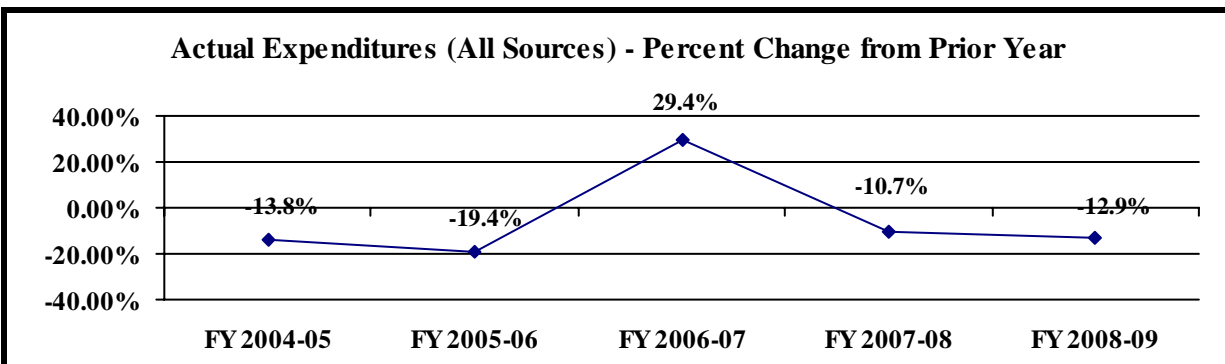
The Department of Commerce is the State’s lead economic development agency, working with local, regional, national, and international companies. The Department serves existing business and industry, including providing international trade assistance; recruits new jobs and domestic and foreign investment; markets North Carolina; provides community development assistance; and promotes tourism, film, and sports development. The Department is led by a secretary appointed by the Governor.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	121,726,029	106,035,192	97,632,849	94,019,637
Revenue	60,646,904	56,084,247	53,104,428	53,104,428
Net Appropriations	\$61,079,125	\$49,950,945	\$44,528,421	\$40,915,209
Positions (FTE)	455.57	455.57	444.57	444.57

Budget Overview:

The Department's total General Fund budget for FY 2009-10 is \$97,632,849 and \$94,019,637 for FY 2010-11. The FY 2009-10 budget reflects an 8% decrease from the prior year. This decrease is the result of several recurring reductions to the operating budget. In addition, the Department received several nonrecurring appropriations in FY 2008-09 that were not repeated in FY 2009-10. In FY 2008-09, the Department was required to revert 9% to help cover the budget shortfall; thus the certified budget was higher than the actual budget shown above. \$44.5 million (46%) of the total budget is from General Fund appropriations. State and federal receipts, primarily Community Development Block Grant (CDBG) funds, comprise the remaining 54%.

The chart below shows the annual percentage change in the Department’s budget since FY 2004-05. Over the last five years, the average percentage change in actual expenditures was 5.5%. The increase in FY 2006-07 was primarily due to appropriations to economic development incentives programs, most of which receive nonrecurring funds each year.



Department of Commerce

Budget Tables

The following table provides a breakdown of the Department of Commerce's total General Fund operating budget by division.

Department of Commerce – General (14600 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administrative Services	2,980,313	2,980,313
Executive Aircraft Operations	1,565,030	1,416,973
Science and Technology	361,946	361,946
Management Information Systems Division	1,011,385	1,011,385
Policy and Research Division	1,195,303	1,195,303
State Energy Office	3,955,819	3,403,386
Marketing and Customer Service	1,431,301	1,227,416
Business and Industry Development	5,412,189	5,412,189
International Trade Division	2,793,738	2,793,738
Tourism, Film, and Sports Development	11,022,503	11,022,502
Welcome Centers	1,899,362	1,899,362
Wine and Grape Growers Council	828,000	810,000
Wanchese Seafood Industrial Park	766,893	766,893
Commerce Finance	1,566,170	866,170
Community Assistance	2,919,510	2,928,674
Main Street Solutions	2,000,000	
Community Development Block Grants	45,723,615	45,723,615
Industrial Commission Administration	10,199,772	10,199,772
TOTAL	\$97,632,849	\$94,019,637
Revenue	53,104,428	53,104,428
NET GENERAL FUND APPROPRIATIONS	\$44,528,421	\$40,915,209

The following table provides a breakdown of the funds* administered by the Department of Commerce, including the General Fund operating budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Commerce (14600 – General Fund)	97,632,849	94,019,637
Commerce – Special Fund (24600)	181,877,229	181,877,229
Commerce – Special Disaster Relief (24602)	1,500,000	1,500,000
Commerce – Special Morehead (24604)	11,000	11,000
Commerce – Special Cape Fear (24605)	6,000	6,000
Commerce – Clean Water Bonds (24606)	2,074,474	2,074,474
Commerce – Special Fund Grants (24609)	2,801,058	2,801,058

Department of Commerce

Commerce – Special Second Injury Fund (24610)	66,100	66,100
Commerce – IT Projects (24611)	2,989,549	2,989,549
Commerce – Enterprise (54600)	40,018,117	40,018,117
Commerce – Utilities Commission/Natural Gas (64613)	3,470	3,470
ESC – Administration Special Fund (24650)	267,358,700	267,358,700
TOTAL	\$596,338,546	\$592,725,334

Note:

*Total Appropriations by Fund as presented reflect only those budgets as certified by the Office of State Budget and Management.

Other Funds

Information on several State boards and commissions housed administratively within the Department of Commerce is provided below.

State Banking Commission (54600-5811)

**Balance: \$2,812,443
(as of June 29, 2009)**

Governed by G.S. 53, 54B, and 54C, the State Banking Commission charters and supervises banks located in the State, savings banks, savings and loan associations, and nondepository trust companies; licenses or registers a variety of consumer industries, including check casher and refund anticipation lenders; and licenses mortgage lenders, brokers, and their loan officers. The Banking Commission enforces regulatory compliance of all supervised financial services companies with periodic examinations and off-site monitoring techniques.

The Commission is entirely receipt supported. In FY 2008-09, the Commission generated receipts from various licensing, certification, inspection, and examination fees totaling \$10,019,757 and expended \$14,875,432. The State Banking Commission has 102 FTE positions.

**Alcoholic Beverage Control (ABC) Commission and Warehouse
(54600-5881 and 54600-5882)**

**Balance: \$7,555,672
(as of June 29, 2009)**

Governed by G.S. 18B, the ABC Commission provides regulation and control of the manufacture, distribution, advertisement, sale, possession, and consumption of liquors, wines, and malt beverages in the State. The ABC Warehouse, authorized by G.S. 18B-204, provides central storage for the distribution and monitoring of all liquors sold by the 158 local, county, and municipal ABC boards in the State.

In FY 2008-09, the Commission and Warehouse had receipts of \$9,202,347 and expenditures of \$8,657,637, supporting 46 FTE positions.

Department of Commerce

**Utilities Commission and Public Staff
(54600-5211, 54600-5217, 54600-5221, and 64605)**

**Balance: \$12,142,331
(as of June 29, 2009)**

The Utilities Commission administers the Public Utilities Act (G.S. 62). It regulates the rates and the quality of service of all investor-owned public utilities operating within the State. The Utilities Commission employs 58 FTE positions. In FY 2008-09, the Commission had receipts of \$6,406,116 and expenditures of \$6,406,101.

The Utilities Commission Public Staff (G.S. 62-15) represent the public before the Utilities Commission in matters affecting the rates and service of regulated public utility companies. The Public Staff accomplish this through reviews, investigations, recommendations, and by resolving the public's complaints against utility companies. Their mission is to ensure adequate energy, water, and transportation services at reasonable rates. Ninety-five FTE employees work as Public Staff. For FY 2008-09, Public Staff had receipts and expenditures of \$7,987,251.

Employment Security Commission (ESC) (24650)

**Balance: \$494,230
(as of June 29, 2009)**

The Employment Security Commission (G.S. 96) provides employment services, unemployment insurance, and labor market information to the State's workers, employers, and the public. ESC has 1,682.86 FTE positions at its headquarters in Raleigh and at 106 offices across the State. In FY 2008-09, ESC had receipts of \$194,814,061 and expenditures of \$198,069,297. The FY 2009-10 budget is \$267,358,700. Following is a breakdown of the budget by source of funds:

**ESC Budget by Source of Funds
FY 2009-10**

Source	Amount	Percent of Total
Federal	205,386,488	77%
Local	12,195,000	5%
State – ESC Reserve Fund	28,300,000	11%
Intra-agency Transfers	14,990,794	6%
Division of Social Services	4,532,000	2%
Other	1,954,418	1%
Total	\$267,358,700	

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.



Department of Commerce

Select Programs and Other Budgetary Information

North Carolina's Economic Development Incentives Programs

The Department of Commerce currently administers eight direct incentives programs: the One North Carolina Fund (One NC), the Job Development Investment Grant (JDIG), the One NC Small Business Program, the Green Business Fund, the Job Maintenance and Capital Development Fund (JMAC), the Site Infrastructure Grant, the Industrial Development Fund (IDF), and the Utility Account. The largest of these programs are JDIG and One NC. Additional information about these two programs is provided below.

The following table provides a history of JDIG and One NC funding.

JDIG and One NC Funding Since FY 2005-06 (in millions)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
JDIG	\$9.0	\$12.4	\$12.4	\$27.4	\$19.0
One NC¹	\$4.0	\$14.0	\$13.35	\$5.0	\$0

Job Development Investment Grant (JDIG)

The Job Development Investment Grant (JDIG) is a discretionary grant program created in 2002 to provide incentives to companies that would choose to locate outside the State if the grant were unavailable. The program is set to expire January 1, 2016. Grants are awarded by the Economic Investment Committee (EIC), a five-person committee consisting of the Secretaries of Commerce and Revenue, the Director of the Office of State Budget and Management, and two General Assembly appointees, one recommended by the Speaker of the House and one recommended by the President Pro Tempore of the Senate.

Eligible projects create a minimum of ten jobs in a Tier I area or 20 jobs in Tier II or III areas. (Tier status is a calculation of a county's level of economic distress per G.S. 143B-437.08. Tier I counties are considered most distressed.) Each year, up to 25 businesses can receive grants lasting up to 12 years. The maximum annual liability cannot exceed \$15 million, although exceptions have been made in the past: the cap was raised to \$30 million in 2006; \$25 million in 2007; and \$25 million in 2008. Grant awards range from 10 to 75 percent of tax withholdings for eligible positions. Projects must result in a net increase in employment in the State - awards cannot be granted to companies relocating within the State with no increase in employment. All award agreements must contain clawback, or repayment, provisions in the event the company does not meet stated performance levels. The JDIG program is governed by G.S. 143B-437.50-63.

The following table provides a statistical history of JDIG by calendar year.

¹ Amounts shown for One NC reflect actual allocations to the One NC Fund, not appropriations.

Department of Commerce

JDIG Key Statistics

	CY 2004	CY 2005	CY 2006	CY 2007	CY 2008
Number of Awards	19	11	19	15	14
Total Grant Liability	\$108,506,413	\$54,757,000	\$188,341,424	\$113,641,000	\$125,222,475
Average Grant	\$5,710,864	\$4,977,909	\$9,912,707	\$7,576,067	\$8,944,463

One North Carolina Fund (One NC)

Created in 1993, the One North Carolina Fund (originally called the Governor's Industrial Recruitment Competitiveness Fund) provides grants to local governments to help recruit new and expanding businesses to create quality jobs in the State. Grants may be used for installation or purchase of equipment, repairs or renovations to existing buildings, construction of utility infrastructure for existing or proposed buildings, or for any other purpose specifically authorized by the General Assembly. Funds are disbursed in accordance with a schedule established in each grant agreement, usually in four equal installments. Eligible recipients must create new jobs, and a local match is required. One NC is governed by G.S. 143B-437.70-74.

The following table provides a statistical history of One NC.

One NC Key Statistics

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Number of Awards	46	57	59	37	33
Total Grants	\$11,544,575	\$9,992,000	\$15,395,500	\$10,157,000	\$8,029,000
Average Award	\$250,969	\$175,298	\$260,941	\$274,514	\$243,303

Additional Legislation

S.L. 2009-394 (H.B. 1516) JDIG TECHNICAL MODIFICATIONS

This act amends G.S. 143B-437.62 to extend the sunset on the Job Development Investment Grant program from January 1, 2010 to January 1, 2016.

S.L. 2009-520 (H.B. 884) JMAC MODIFICATIONS

S.L. 2009-520 amends G.S. 143B-437.012 to expand the Job Maintenance and Capital Development Fund (JMAC) program by adding a new category of eligible employer, increasing the cap on total aggregate grants, and increasing the annual grant amount. Under the previous rules, companies that invested \$200 million of private funds in property or equipment within a six-year period and that employed at least 2,000 full time employees (or full-time equivalent contract employees) were eligible for the grant.

Department of Commerce

The act creates two categories of employers. The first category, “major employer”, is defined using the former guidelines of \$200 million investment and 2,000 full time employees. The second category, “large manufacturing employer”, is defined as a manufacturing business employing 320 full-time employees that is investing at least \$65 million within a three-year period to convert its manufacturing process to change the product it manufactures.

This act also changes the grant agreement requirements. For a major employer, the grant agreement must contain a provision prohibiting an employer from receiving a payment if the business has received notice of an overdue tax debt. This provision is not specified for the large manufacturing employer. Agreements for major employers also allow for a reduced benefit should employment levels fall below the level at which the original agreement was signed; if employment falls below 80 percent of the original level, then no grant payment is made. For large manufacturing employers, the agreement must contain a provision requiring the business to maintain the employment level required in the statute (320 full-time employees) for a specified length of time, usually the term of the grant. No payments are to be made if employment falls below that level.

Finally, S.L. 2009-520 increases the maximum total aggregate cost of all JMAC agreements from \$60 million to \$69 million, and increases the maximum total annual cost of an agreement from \$4 million to \$6 million.

S.L. 2009-446 (H.B. 1481) ENERGY TO COMMERCE; OEO TO ENERGY

The act transfers the State Energy Office from the Department of Administration to the Department of Commerce by Type I transfer as defined in G.S. 143A-6. When all or part of any agency is transferred to a principal department under a Type I transfer, its statutory authority, powers, duties, and functions, records, personnel, property, unexpended balances of appropriations, allocations or other funds, including the functions of budgeting and purchasing, are transferred to the principal department. Corresponding positions and appropriations of \$3,955,819 for FY 2009-10 and \$3,403,386 for FY 2010-11 were transferred with the Office.

The act also transfers the Residential Energy Conservation Assistance Program from the Department of Health and Human Services to the State Energy Office in the Department of Commerce by Type I transfer. The Residential Energy Conservation Assistance Program (commonly known as Weatherization) is wholly receipt supported through federal grants.

Section 10 of S.L. 2009-446 requires the Secretary of Commerce and the Chair of the Utilities Commission to prepare a report examining the respective duties and functions of the Utilities Commission and the Energy Policy Council and recommend changes to address any duplicative activities and responsibilities. The report is to be submitted to the Governor by January 31, 2010.

Department of Commerce-State Aid

Agency Description:

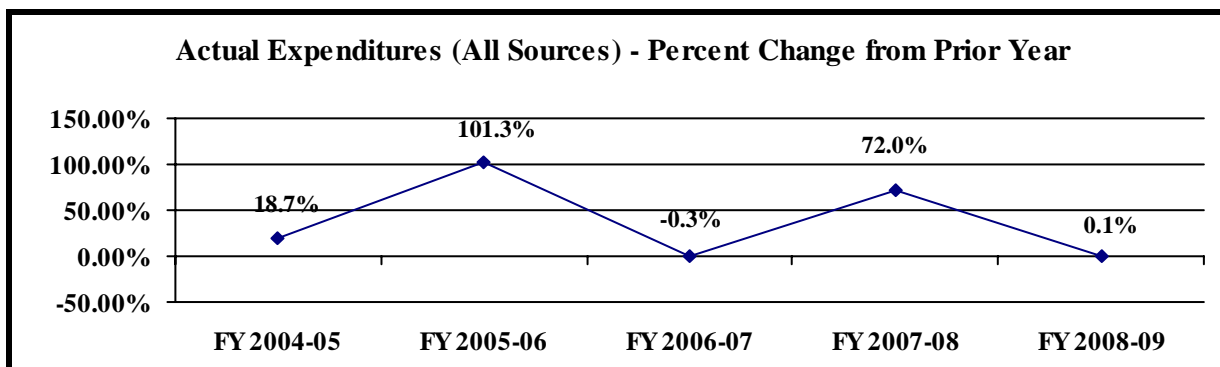
Commerce - State Aid is a pass-through budget used to administer funds to non-State entities. Several nonprofits receive recurring appropriations through this budget, including the seven regional economic development commissions, the 17 Councils of Government (COGs), the Institute for Minority Economic Development, and the Association of Community Development Corporations. One-time grants to non-State entities administered by the Department of Commerce are also usually included under this budget code.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	45,477,910	45,539,470	21,667,725	15,388,725
Revenue	10,132,676	14,360,985	0	0
Net Appropriations	\$35,345,234	\$31,178,485	\$21,667,725	\$15,388,725
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

The FY 2009-10 budget for Commerce - State Aid is \$21.7 million and \$15.4 million for FY 2010-11. The FY 2009-10 budget reflects a 31% decrease from the prior year when adjusted for carryforwards that are counted as receipts. In FY 2008-09, the Department was required to revert 9% from Commerce - State Aid to help cover the budget shortfall; thus the certified budget was higher than the actual budget shown above. Since this is a pass-through budget used to administer grants to nonprofits, only net General Fund appropriations are shown. Other revenue generated by the various entities funded through this account are not reflected in this table. Revenues shown in FY 2007-08 and FY 2008-09 are carry-forward funds from previous appropriations.

As illustrated below, over the last five years, the average percentage change in Commerce - State Aid actual expenditures was 38%. However, appropriations in this budget vary considerably from year to year. Seven nonprofits receive recurring funds, but in any given year, several other entities may be funded on a nonrecurring basis as well. For example, in FY 2007-08, six additional nonprofits received State funding through the Commerce - State Aid budget. In FY 2006-07, only three additional entities were funded.



Department of Commerce-State Aid

Budget Tables

The following table provides a breakdown of the Department of Commerce-State Aid total General Fund budget by entity.

Commerce – State Aid (14601 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
High Point International Furniture Market	848,925	848,925
Regional Economic Development Commissions	5,000,000	0
Land Loss Prevention	760,500	744,700
NC Institute of Minority Economic Development	2,706,300	2,649,900
NC Assoc. of Community Development Corporations	1,054,300	1,032,300
NC Minority Support Center	3,363,500	3,293,400
NC Community Development Initiative (NCCDI)	5,034,000	4,929,200
Defense and Security Technology Accelerator	1,000,000	1,000,000
Biofuels Center	1,000,000	0
e-NC Authority	475,200	465,300
Council of Government (COG) Funds	425,000	425,000
TOTAL	\$21,667,725	\$15,388,725
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$21,667,725	\$15,388,725

Other Funds

See Annotated Conference Report at the end of this section.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Department of Commerce-State Aid

Select Programs and Other Budgetary Information

History of Funding in Commerce-State Aid

The following chart provides a history of appropriations to the various non-profit entities funded through Commerce-State Aid.

Organization / Agency	Enacted FY 2007-08	Enacted FY 2008-09	Enacted FY 2009-10	Enacted FY 2010-11
NC Center for Automotive Research	3,500,000	0	0	0
Regional Ec. Dev. Commissions	6,775,000	6,371,888	5,000,000	0
Land Loss Prevention Project	800,280	792,277	760,500	744,700
NC Institute of Min. Econ. Dev.	2,847,602	2,819,126	2,706,300	2,649,900
NC Assoc. of CDCs	1,109,360	1,098,266	1,054,300	1,032,300
NC Minority Support Center ¹	3,539,041	4,503,651	4,363,500	3,293,400
NC Community Development Initiative	5,296,802	6,243,834	5,034,000	4,929,200
Coalition of Farm and Rural Families	300,000	158,943	0	0
e-NC Authority	4,500,000	1,995,000	475,200	465,300
Defense and Security Technology Accelerator	1,500,000	1,500,000	1,000,000	1,000,000
Johnson & Wales University	2,000,000	1,500,000	0	0
COGs	1,002,150	823,828	425,000	425,000
High Point Furniture Market ²	1,875,000	1,466,250	848,925	848,925
NC Biofuels ³	5,000,000	5,000,000	1,000,000	0
Indian Economic Development Initiative ⁴	150,000	135,000	100,000	0
Kerr Tar Economic Development Corporation	2,175,000	0	0	0
Total	\$42,370,235	\$34,408,063	\$22,767,725	\$15,388,725

Note:

1. FY 2009-10 NC Minority Support Center funds include \$1 million transferred from the One NC Fund cash balance (S.L. 2009-451, Sec. 14.2).
2. FY 2007-08 High Point Furniture Market funds were appropriated through the Commerce budget.
3. FY 2007-08 NC Biofuels funds were appropriated through the Agriculture and Consumer Services budget.
4. Prior to FY 2009-10, Indian Economic Development Initiative funds were appropriated through the Department of Administration. FY 2009-10 funds have been transferred from the Commerce budget to Commerce – State Aid in accordance with S.L. 2009-451, Sec. 14.24.

Additional Legislation

No relevant information to report.

NC Biotechnology Center

Agency Description:

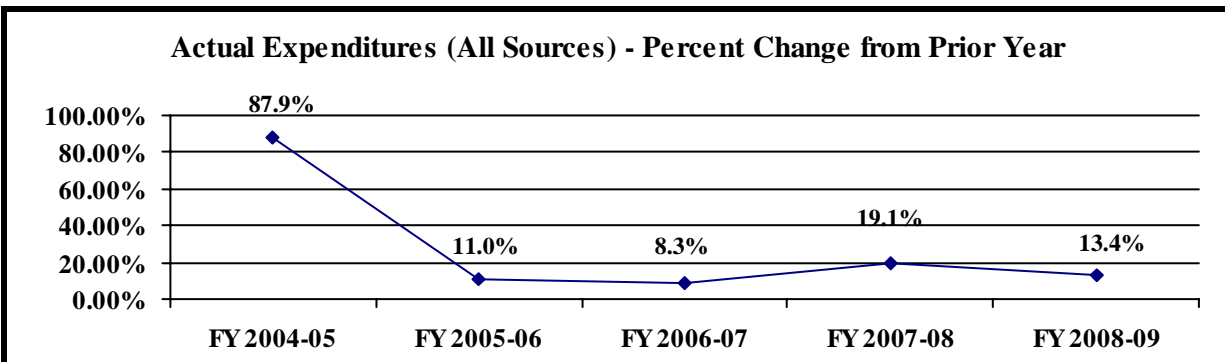
The North Carolina Biotechnology Center is a private, nonprofit organization established to support biotechnology research, development, and commercialization in the State. The Center administers several grant and loan programs, hosts conferences, collaborates with the community colleges on a workforce training initiative, and works with local community leaders to strengthen biotechnology throughout the State.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	15,583,395	17,679,081	14,810,000	14,501,900
Revenue	0	0	0	0
Net Appropriations	\$15,583,395	\$17,679,081	\$14,810,000	\$14,501,900
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

The FY 2009-10 budget for the Biotechnology Center is \$14.8 million and \$14.5 million for FY 2010-11. The FY 2009-10 budget reflects a 16% decrease over FY 2008-09. This decrease is due to nonrecurring appropriations in FY 2008-09 that were not repeated in FY 2009-10 and to a recurring reduction in the FY 2009-10 budget. In FY 2008-09, the Center was required to revert 9% to help cover the budget shortfall; thus the certified budget was higher than the actual budget shown above. Revenues generated by the Center for interest earned on loans, federal grants, or private donations are not reflected in this table.

The General Assembly has provided funding for the Center since FY 1983-84. The graph below shows the average percent change in funding over the last five years. Since FY 2004-05, the average percentage change in actual expenditures was 28%. Budget increases have been driven primarily by increased funding for programming related to the Center’s Strategic Plan.



NC Biotechnology Center

Budget Tables

The following table shows the General Fund appropriation for the NC Biotechnology Center.

NC Biotechnology Center	Certified FY 2009-10	Certified FY 2010-11
	14,810,000	14,501,900
TOTAL	\$14,810,000	\$14,501,900
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$14,810,000	\$14,501,900

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Rural Economic Development Center

Agency Description:

The Rural Economic Development Center (Rural Center) is a private nonprofit that serves the State’s 85 rural counties, with a special focus on individuals with low-to-moderate incomes and communities with limited resources.

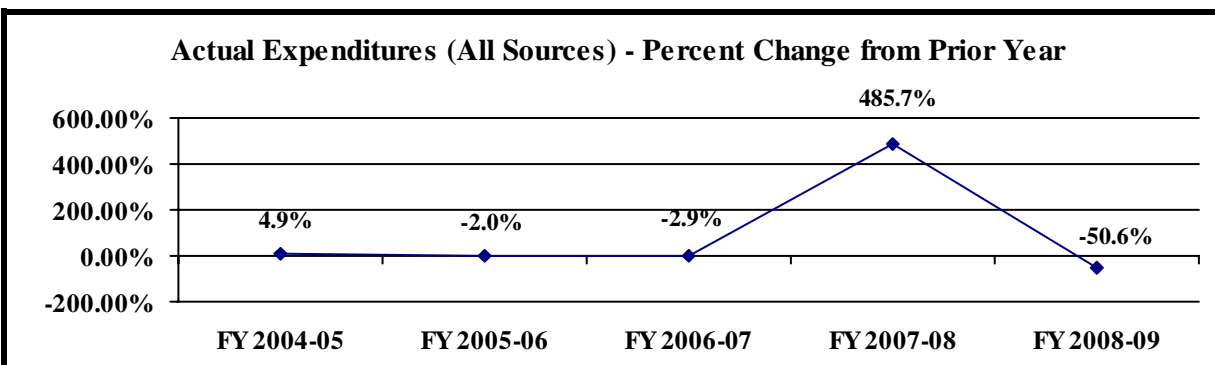
	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	143,802,607	71,034,219	24,407,436	23,832,436
Revenue	0	0	0	0
Net Appropriations	\$143,802,607	\$71,034,219	\$24,407,436	\$23,832,436
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

The Rural Center is funded by both public and private sources. The budget overview describes its State funding from net General Fund appropriations only.

The General Fund budget for the Rural Center is \$24,407,436 for FY 2009-10 and \$23,832,436 for FY 2010-11. The FY 2009-10 budget reflects a 65.6% decrease from the previous year. This decrease is due primarily to two nonrecurring appropriations in FY 2008-09, \$50 million for water and wastewater grants under the Clean Water Partners program and \$4 million for the Rural Economic Transition Program. Additionally, the Rural Center was required to revert 9% during FY 2008-09 to help cover the State's budgetary shortfall.

Over the past five years, when adjusted for large, nonrecurring appropriations in FY 2007-08 and FY 2008-09, the Rural Center's actual expenditures have remained relatively stable, fluctuating from 2% to 4%. Significant spending increases in FY 2007-08 and FY 2008-09 are due to nonrecurring appropriations of \$100 million for water and wastewater grants and \$50 million in grants for water, sewer and natural gas to local units of government.



Rural Economic Development Center

Budget Tables

The following table provides a breakdown of the Rural Economic Development Center's total General Fund operating budget.

Rural Economic Development Center	Certified FY 2009-10	Certified FY 2010-11
Administration	1,555,000	1,523,000
Research and Demonstration Grants	351,000	344,000
Institute for Rural Entrepreneurship	136,000	134,000
Community Development Grants	987,436	987,436
Microenterprise Loan Program	185,000	182,000
Water/Sewer/Business Development Grant Program	840,000	821,000
Statewide Water/Sewer Database	95,000	93,000
Agricultural Advancement Consortium	110,000	107,000
NC Infrastructure Program	19,305,000	19,305,000
Opportunities Industrialization Center Funds	343,000	336,000
Small Business Assistance	500,000	0
TOTAL	\$24,407,436	\$23,832,436
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$24,407,436	\$23,832,436

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Rural Economic Development Center

Additional Legislation

No relevant information to report.

Department of Environment and Natural Resources

G.S. 113.3 Duties of the Department

Agency Description:

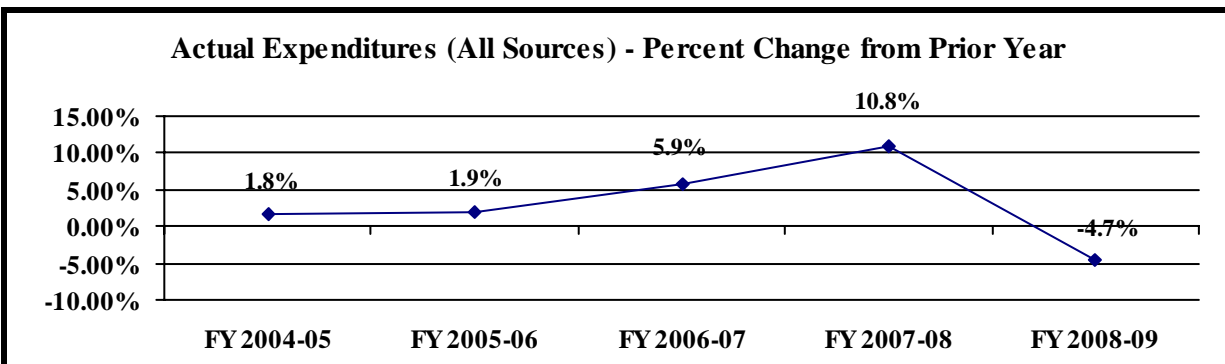
The North Carolina Department of Environment and Natural Resources (DENR) preserves and protects North Carolina’s environmental and natural resources; administers regulatory programs designed to protect air quality, water quality, and the public’s health; and offers technical assistance to businesses, farmers, local governments, and the public. The Department is led by a secretary appointed by the Governor.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	326,239,632	310,973,789	329,213,933	321,598,717
Revenue	121,819,944	121,487,783	128,105,520	131,199,361
Net Appropriations	\$204,419,688	\$189,486,006	\$201,108,413	\$190,399,356
Positions (FTE)	3,412.54	3,482.29	3,412.16	3,427.96

Budget Overview:

DENR’s FY 2009-10 General Fund budget is \$329,213,933 and \$321,598,717 for FY 2010-11. The FY 2009-10 budget reflects a 5.8% increase from the FY 2008-09 actual budget. Actual expenditures in FY 2008-09 were lower than the certified budget due to a 9% mandatory reversion to help cover the statewide budget shortfall. In FY 2009-10, 61% of DENR’s budget is derived from net General Fund appropriations. Receipts comprise 39% of the budget and come primarily from federal grants, permit fees, and the sale of goods and services.

Over the last five years, the average percentage change in actual expenditures was 3.1%.



Department of Environment and Natural Resources

Budget Tables

The following table provides a breakdown of the Department of Environment and Natural Resources' (DENR) total General Fund operating budget by division.

Department of Environment and Natural Resources (14300 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration		
Administration/Regional Offices	17,936,176	17,936,463
Reserves/Transfers	12,980,684	6,561,284
Environmental		
Air Quality	3,958,428	3,958,428
Coastal Management	6,931,039	6,933,304
Environmental Health	26,048,820	26,035,300
Land Resources	7,657,035	7,618,438
Pollution Prevention & Environmental Assistance	1,911,860	1,911,860
Waste Management	22,830,418	22,530,418
Water Quality	42,362,036	42,122,948
Water Resources	4,462,895	4,462,895
Natural Resources		
Aquariums	10,129,484	10,129,805
Ecosystem Enhancement Program*	0	0
Environmental Education	409,045	409,045
Forest Resources	63,134,135	62,099,400
Marine Fisheries	22,459,335	22,460,758
Museum of Natural Sciences	8,397,554	9,011,015
Natural Resources Planning	3,030,282	3,031,106
Parks and Recreation	43,210,395	43,019,876
Soil and Water Conservation	13,373,994	13,374,297
Zoological Park	17,990,318	17,992,077
TOTAL	\$329,213,933	\$321,598,717
Revenue	(128,105,520)	(131,199,361)
NET GENERAL FUND APPROPRIATIONS	\$201,108,413	\$190,399,356

Note:

*The Ecosystem Enhancement Program receives funding from sources other than the General Fund.

Department of Environment and Natural Resources

The following table provides a breakdown of the 36 funds* administered by DENR, including the General Fund operating budget.

Total Agency Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
DENR (14300 – General Fund)	329,213,933	321,598,717
Special (24300 – Special Fund)	63,106,507	63,100,266
Air Quality Fuel Tax (24301 – Special Fund)	12,134,769	12,134,769
Governor's Cup Trust (24302 – Special Fund)	0	0
Marine Fish Conservation (24303 – Special Fund)	208,776	208,776
Wetlands Trust (24304 – Special Fund)	93,211,364	93,211,364
Dry-Cleaning Solvent (24306 – Special Fund)	12,922,631	12,922,631
Forest Development (24307 – Special Fund)	2,622,560	2,622,560
Special (24308 – Special Fund)	33,338,495	33,338,495
Parks and Rec. Trust Fund (24309 – Special Fund)	68,945,754	68,945,754
Disaster (24310 – Special Fund)	16,761,802	16,761,802
Interest (24311 – Special Fund)	200,000	200,000
Special Revenue GF (24317 – Special Fund)	6,023,115	6,023,115
Special Interest Bearing (24318 – Special Fund)	900,000	900,000
Clean Water Bonds WS Loan 1998 (24321 – Special Fund)	294,502	294,502
Marine Resources Fund (24323 – Special Fund)	9,691,941	9,691,941
FERC Interest Bearing (24325 – Special Fund)	150,000	150,000
Trust (64300 – Trust Fund)	46,000	46,000
Waste Water Oper. Training (64301 – Trust Fund)	584,154	584,154
Natural Heritage Trust Fund (64302 – Trust Fund)	65,402,740	65,402,740
Solid Waste Mgmt. Trust Fund (64303 – Trust Fund)	7,383,604	7,383,604
Clean Water Revolving Loan (64304 – Trust Fund)	9,444,769	9,444,769
Commercial LUST Cleanup (64305 – Trust Fund)	46,597,405	46,897,405
Waste Water Treatment Maint. (64306 – Trust Fund)	315,872	315,872
Conservation Grant Endowment (64307 – Trust Fund)	179,298	179,298
Noncommercial LUST Cleanup (64308 – Trust Fund)	7,560,635	7,560,635
Water Pollution Revolving Loan (64311 – Trust Fund)	107,384,475	84,384,475
Federal Bond Revolving Loan (64312 – Trust Fund)	3,756,404	3,756,404
High Unit Cost WS Grants 1998 (64318 – Trust Fund)	10,888,670	10,888,670
CWSRF Federal Program (64319 – Trust Fund)	7,034,546	7,034,546
Drinking Water SRF - Enterprise (64320 – Trust Fund)	68,573,083	46,698,083
High Unit Cost WS Grants (64321 – Trust Fund)	4,264,883	4,264,883
Drinking Water SRF Bond Match (64322 – Trust Fund)	3,840,656	3,840,656
Marine Resources Endowment Fund (64323 – Trust Fund)	105,576	105,576
Drinking Water Reserve (64324 – Trust Fund)	472,051	472,051
Trust Special (64326 – Trust Fund)	1,000	1,000
TOTAL	\$993,561,970	\$941,365,513

*Total Agency Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Department of Environment and Natural Resources

Other Funds

DENR – Special (24300)

**Balance: \$31,015,601
(as of June 29, 2009)¹**

This Fund contains 26 unique programs financed by various sources such as air quality permit fees and federal funds, water quality permit receipts, and aquarium admission receipts. Established administratively, most of the individual programs administered through this fund are authorized in specific statutes. The Fund received a total of \$44.1 million in receipts and expended \$52.3 million in FY 2008-09. To help address the FY 2008-09 revenue shortfall, the Governor used nearly \$10.6 million in revenue from this Fund.

Solid Waste Management Trust Fund (64303)

**Balance: \$6,222,523
(as of June 29, 2009)**

64303 is used to administer three separate, distinct programs: (6760) Off Waste Reduction Trust Fund, (6770) Scrap Tire Disposal Account, and (6780) White Goods Fund.

The **Off Waste Reduction Trust Fund**, commonly referred to as the Solid Waste Management Trust Fund, is authorized in G.S. 130A-309.12 and was created in 1989. Funds are used to support local recycling markets, conduct public education campaigns, provide technical assistance to local governments and others, and to fund research on recycling issues. Additionally, S.L. 2008-136 authorized DENR to use up to \$1 million annually from the Fund to support the cleanup of abandoned mobile homes. Revenue for this fund comes from eight percent of the proceeds of the tax on white goods; eight percent of the proceeds from the tax on tires; and 12.5 percent of the proceeds from the solid waste disposal tax. This Fund supports seven FTE positions and is primarily used by the Division of Pollution Prevention and Environmental Assistance. Section 13.3A of S.L. 2009-451 added all of the activities of the Division as acceptable uses of the Fund. A five-year history of receipts and expenditures is presented below.

**Off Waste Reduction Trust Fund (64303-6760),
Actual Expenditures Since FY 2004-05**

Fiscal Year	Receipts	Expenditures	Ending Balance
2004-05	1,028,862	1,321,996	1,896,767
2005-06	1,015,824	1,289,563	1,623,029
2006-07	1,119,717	1,366,142	1,376,604
2007-08	1,437,554	1,392,409	1,421,749
2008-09	2,455,632	1,427,084	2,450,297

The **Scrap Tire Disposal Account** is authorized in G.S. 130A-309.63 and is used to fund county scrap tire programs, scrap tire recycling programs, and scrap tire nuisance cleanup by the Division of Waste Management. Section 13.3B of S.L. 2009-451 decreased the Fund’s allocation from proceeds of the tire tax from 22 percent to 17 percent. As the

¹ The Conference Committee Report reflects the May 31st, 2009 fund balance and, consequently, differs from the balance provided above.

Department of Environment and Natural Resources

chart below shows, historically, this Fund receives more revenue than it expends, creating a large cash balance. The Governor transferred \$7.5 million from the Fund to cover General Fund expenses during FY 2008-09. The General Assembly lowered the allocation to this fund in FY 2009-10 to more adequately reflect the actual needs of the Fund. This fund supports one FTE position.

**Scrap Tire Disposal Account (64303-6770),
Actual Expenditures Since FY 2004-05**

FY	Receipts	Expenditures	Ending Balance
2004-05	3,242,156	2,601,912	4,941,915
2005-06	3,438,177	2,263,291	6,116,801
2006-07	3,633,523	2,802,268	6,948,056
2007-08	3,260,507	2,431,773	7,776,789
2008-09	3,079,767	8,505,522	2,351,034

The **White Goods Fund** is authorized in G.S. 130A-309.83 and is used to provide grants to local governments to assist them in managing discarded white goods, or large electrical appliances such as refrigerators, washing machines, and ovens. The White Goods Fund receives 20 percent of the proceeds from the white goods tax. The following chart provides a budget history for this Fund.

**White Goods Fund (64303-6780),
Actual Expenditure Since FY 2004-05**

FY	Receipts	Expenditures	Ending Balance
2004-05	1,237,776	1,120,160	1,016,205
2005-06	1,175,810	970,739	1,221,275
2006-07	1,262,976	1,227,845	1,256,406
2007-08	1,296,214	774,621	1,777,999
2008-09	1,307,934	1,664,742	1,421,191

Commercial and Noncommercial LUST Cleanup Funds (64305 and 64308) Balance: \$73,072,764 (as of June 29, 2009)²

The Commercial and Noncommercial Leaking Underground Storage Tank (LUST) Funds are used to reimburse owners and operators of commercial and noncommercial leaking petroleum underground storage tanks (USTs) for assessment, cleanup costs, and third-party claims. Commercial Fund receipts include a portion of the fuel tax (¹⁹/₆₄ cents per gallon), UST permit fees, interest, and costs recovered from UST owners and operators. Noncommercial Fund receipts include a portion (³/₆₄ cents per gallon) of the excise tax on kerosene and motor fuel sales, inspection taxes on kerosene and motor fuel, and interest. Statutory authority for these Funds comes from G.S. 143-215.94B and G.S. 143-215.94D.

² The Conference Committee Report reflects the May 31st, 2009 fund balances and, consequently, differs from the balance provided above.

Department of Environment and Natural Resources

Fund 64305 primarily houses the funds for the Commercial LUST Fund but also contains receipts for seven other programs related to inactive hazardous waste and brownfields. Fund 64308 pertains only to the Noncommercial LUST Fund. The following table summarizes the activity in these Funds for FY 2008-09.

Commercial and Noncommercial LUST Funds, FY 2008-09

Fund Code	Fund Name	Receipts	Expenditures	Year-End Cash Balance
64305-6370	Leaking Petroleum Storage Tanks	31,026,131	18,387,732	56,940,589
64305-6372	Inactive Hazardous Sites Cleanup	503,044	365,087	923,694
64305-6373	Emergency Response Fund	19,143	24,245	499,476
64305-6374	Martin Scrap Recycling Fund	3,947	0	105,742
64305-6375	Superfund Cost Share Fund	1,227,975	154,686	7,967,256
64305-6376	Brownfields Superfund	303,356	287,776	361,300
64305-6378	Carolina Wood Preserving	0	0	87,912
64305-6379	Inactive Hazardous Sites - SB1492	3,904,261	46,846	3,857,415
64308-6371	Noncomm. Leaking Petroleum Storage	6,178,730	7,203,764	2,329,380
Total		\$43,166,587	\$26,470,136	\$73,072,764

Parks and Recreation Trust Fund (24309)

**Balance: \$34,750,553
(as of June 29, 2009)**

The Parks and Recreation Trust Fund (PARTF) was created in 1994 by G.S. 113-44.15 to fund improvements in the North Carolina State Parks System, provide assistance to local governments with recreation projects, and support the Public Beach and Coastal Waterfront Access Program. PARTF receives 75 percent of the State share of the excise stamp tax on real estate transactions; this comprises the majority of PARTF’s revenues. PARTF also receives \$5 for each personalized license plate sold in the State. Prior to 2007, PARTF did not retain interest earnings, but Section 12.8 of S.L. 2007-323 amended G.S. 113-44.15(a) to allow PARTF to retain these earnings. PARTF is statutorily required to allocate 65 percent of its funds for land acquisition, capital projects, and repairs and renovations at State parks; 30 percent for local government matching grants for local parks; and 5 percent for the Public Beach and Coastal Waterfront Access Program in the Division of Coastal Management.

In FY 2008-09, PARTF’s total receipts were \$30.25 million, of which \$27 million came from the excise stamp tax. Total disbursements for FY 2008-09 were \$52.3 million, including \$6 million of which was used by the Governor to help balance the budget.

Department of Environment and Natural Resources

Natural Heritage Trust Fund (64302)

**Balance: \$23,603,927
(as of June 29, 2009)**

The Natural Heritage Trust Fund (NHTF) was created in 1987 by G.S. 113-77.7 to serve as a supplemental funding source for State agencies to acquire and protect natural areas and to conduct inventories of natural heritage areas. NHTF receives 25 percent of the State share of the excise stamp tax on real estate transactions (G.S. 105-228.30); fees from special registration plates (\$10 from each First in Forestry plate, \$15 from each out-of-state collegiate plate, and \$15 from each personalized plate (G.S. 20-79.7(b))); and investment earnings (G.S. 113-77.7(b)). FY 2008-09 revenues were \$20.2 million and expenditures were \$22.9 million, \$2.8 million of which were used by the Governor to help balance the State's budget.

Significant Legislative Budget Actions

Office of Environmental Education

The Office of Environmental Education (OEE) is a clearinghouse of Environmental Education centers, programs, events, and information, and runs the Environmental Education Teacher Certification program. In FY 2008-09, the Office expended \$659,101 and had receipts of \$58,809. During the 2009 Session, the General Assembly eliminated two of OEE's seven positions, its Administrative Assistant and DENR's Librarian. DENR's library collection was transferred to the State Library. This resulted in a savings of \$133,980. In addition, the General Assembly closed OEE's special fund that received the \$50 teacher certification program fee, which brought in \$7,375 in FY 2008-09; this revenue will be budgeted in OEE's General Fund code and used for program operations. **(S.L. 2009-451, Sec. 13.1G)**

Center for Geographic Information and Analysis

The Center for Geographic Information and Analysis (CGIA) has been housed in DENR since the early 2000s and serves as a statewide clearinghouse for Geographic Information System data. CGIA staffs the Geographic Information Coordinating Council and is the lead agency for the NC OneMap project. S.L. 2009-451 transferred CGIA from DENR to the Office of the State Chief Information Officer. This transfer was a recommendation from the 2008 State Geographic Information Consolidation Implementation Plan. **(S.L. 2009-451, Sec. 6.8 and 13.1G)**

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Sections 13.1F and 13.1G

The 2009 General Assembly focused on special funds – particularly those funds that do not technically qualify as special funds and those with high cash balances. DENR has more than 250 special funds, and the Appropriations Subcommittees on NER evaluated these funds, resulting in two special provisions. The first special provision, Section 13.1F, directs DENR to work with the Office of State Budget and Management, the Office of the State Controller, and the Fiscal Research Division to evaluate DENR's special funds for budgetary accuracy and need and to report by May 1, 2010. Section 13.1G closes, transfers, or consolidates 15 of DENR's special funds. The following table provides a list of the funds that are affected by this special provision.

Department of Environment and Natural Resources

Special Funds Affected by Section 13.1G

Fund Code	Fund Name	Status
24300-2332	DWQ - Ground Water Protection Permit Fees	Closed
24300-2914	ADM - CGIA NCPOCS4-Urban	Transferred to 24667
24300-2915	ADM - CGIA	Transferred to 24667
24300-2917	ADM - CGIA GIS	Transferred to 24667
24302-2991	Governor's Cup Trust	Consolidated into 14300-1315
24308-2105	Environmental Education Certification	Consolidated into 14300-1120
24308-2815	DLR - VRS Geodetic Survey & DOT	Closed
24308-2850	Special Activities - Roanoke Island	Consolidated into 24300-2865
24308-2851	Events - Roanoke Island	Consolidated into 24300-2865
24308-2855	Special Activities - Fort Fisher	Consolidated into 24300-2865
24308-2856	Events - Fort Fisher	Consolidated into 24300-2865
24308-2860	Special Activities - Pine Knoll Shores	Consolidated into 24300-2865
24308-2861	Events - Pine Knoll Shores	Consolidated into 24300-2865
24310-2766	DLR - SB7 Landslide Mapping	Closed
24317-2339	ADM - Fines & Penalties	Consolidated into 14300

Additionally, Section 6.6B requires the Office of State Budget and Management and the Office of the State Controller to consult with the Joint Legislative Commission on Governmental Operations prior to the creation of any new special funds.

Select Programs and Other Budgetary Information

FY 2008-09 Budget Shortfall Transfers

The FY 2008-09 State revenue shortfall was \$3.22 billion. To address the shortfall, Governor Perdue implemented a number of measures, including the transfer of special fund cash balances to support General Fund operations. Several DENR funds were used for this purpose, and a total of \$35.9 million was transferred from DENR special funds. The following table reflects those transfers.

Department of Environment and Natural Resources

FY 2008-09 Budget Shortfall Transfers from DENR

Budget Code	Fund	Description	Transferred
24300	2106	Sleep Products	239,479
24300	2119	Mercury Pollution Prevention	4,974,768
24300	2130	Well Construction Fund	128,524
24300	2179	OSW Certification Fund	164,895
24300	2221	Forestry Bladen Lakes	378,083
24300	2310	Oil Pollution Control	101,088
24300	2341	Water Permits	331,743
24300	2356	Express Permitting	2,229,721
24300	2745	Mining Fees	32,739
24300	2338	Inspection and Maintenance	2,000,000
24304	2982	Wetlands Trust Fund	1,200,000
24306	2127	Dry Cleaning Solvent Cleanup	6,326,799
24308	2931	IT Hazardous Sites Database	650,000
24309	2235	Parks & Rec Trust Fund	6,000,000
24317	2339	Admin. Fines & Penalties	500,000
24317	2530	Swine Waste Conversion	400,000
64302	6710	Natural Heritage Trust Fund	2,832,961
64303	6770	Scrap Tire Disposal Account	7,453,981
Total			\$35,944,781

Additional Legislation

No relevant information to report.

Clean Water Management Trust Fund

G.S. 113A-253 Clean Water Management Trust Fund

Agency Description:

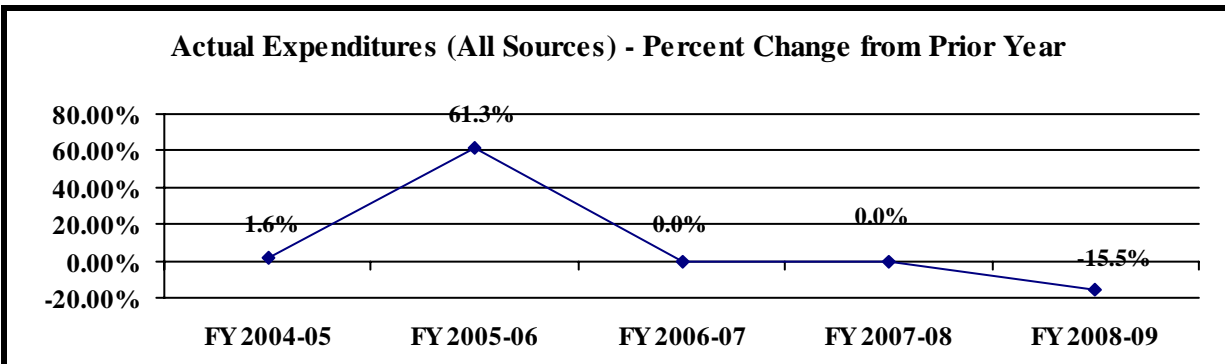
The Clean Water Management Trust Fund (CWMTF) is a nonregulatory agency that makes grants to local governments, nonprofits, and State agencies. A 21-member board of trustees reviews applications, allocates funds, and approves grants. CWMTF grants are used to preserve and/or restore riparian buffers, wetlands, floodplains, and greenways; to repair failing wastewater collection and treatment systems; to eliminate failing septic tanks and straight pipes; to prevent, reduce, collect, and treat stormwater pollution; and to plan water quality projects.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	100,000,000	84,466,503	50,000,000	50,000,000
Revenue	0	0	0	0
Net Appropriations	\$100,000,000	\$84,466,503	\$50,000,000	\$50,000,000
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

G.S. 113A-253.1 directs that CWMTF receive a \$100 million annual appropriation. The General Assembly notwithstanding this statute and appropriated \$50 million to CWMTF for both FY 2009-10 and FY 2010-11. Per G.S. 113A-253, CWMTF is eligible to receive funds from the sale of Scenic River special registration plates authorized under G.S. 20-81.12. CWMTF also receives interest earned on the fund balance. These receipts are not shown in this table because they are held in a separate special fund. Similarly, FTE positions for CWMTF are budgeted in a special fund and are not reflected in the chart above.

Over the last five years, the average percentage change in actual expenditures was 9.5%. CWMTF's appropriation fluctuates due to the overall availability of funds and is often reduced to cover General Fund budgetary shortfalls.



Clean Water Management Trust Fund

Budget Tables

The following table shows the General Fund appropriation to the Clean Water Management Trust Fund (CWMTF).

Clean Water Management Trust Fund (14301 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
	50,000,000	50,000,000
TOTAL	\$50,000,000	\$50,000,000
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$50,000,000	\$50,000,000

Other Funds

Clean Water Management Trust Fund (24305) **Balance: \$140,413,908**
(as of June 29, 2009)

Net General Fund appropriations to CWMTF are transferred to a special fund (24305) as authorized in G.S. 113A-253. In FY 2008-09 the amount spent on administration was \$2,304,069, supporting 20 FTE positions.

CWMTF receives revenue from three sources: annual appropriations under G.S. 113A-253.1; Scenic River special registration plates under G.S. 20-81.12; and interest earnings on the Trust Fund. For FY 2008-09, CWMTF had a beginning fund balance of \$235 million. It received \$95 million in revenue and disbursed almost \$190 million, decreasing the fund balance to \$140.4 million at the close of the fiscal year. To cover the FY 2008-09 budget shortfall, the Governor transferred \$100 million from CWMTF’s fund balance and also withheld \$15.5 million of the FY 2008-09 appropriation; thus, a total of \$115.5 million of CWMTF funds were used to cover the 2008-09 budget shortfall.

Prior to FY 2001-02, CWMTF was funded with a portion (6.5 percent) of the unreserved fund balance of the General Fund, with a minimum allocation of \$30 million. S.L. 2000-67 directed that CWMTF no longer receive this portion of the unreserved fund balance, but rather that the Fund receive direct net General Fund appropriations of \$40 million in FY 2001-02, \$70 million in FY 2002-03, and \$100 million in FY 2003-04 and thereafter. Over the years, the amount received by CWMTF has been decreased to cover budgetary shortfalls and to provide disaster relief funding. The following table summarizes appropriations to CWMTF since its inception.

Clean Water Management Trust Fund

CWMTF Appropriations Since Inception

Fiscal Year	Budgeted	Received
1996-97	47,100,000	37,900,000
1997-98	49,400,000	49,400,000
1998-99	47,400,000	47,400,000
1999-00	30,000,000	30,000,000
2000-01	30,000,000	30,000,000
2001-02	40,000,000	19,200,000
2002-03	66,500,000	63,100,000
2003-04	62,000,000	60,760,000
2004-05	62,000,000	61,540,000
2005-06	100,000,000	100,000,000
2006-07	100,000,000	100,000,000
2007-08	100,000,000	100,000,000
2008-09	100,000,000	84,466,503
Total	\$834,400,000	\$783,766,503

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Wildlife Resources Commission

G.S. 143-239 Statement of Purpose

Agency Description:

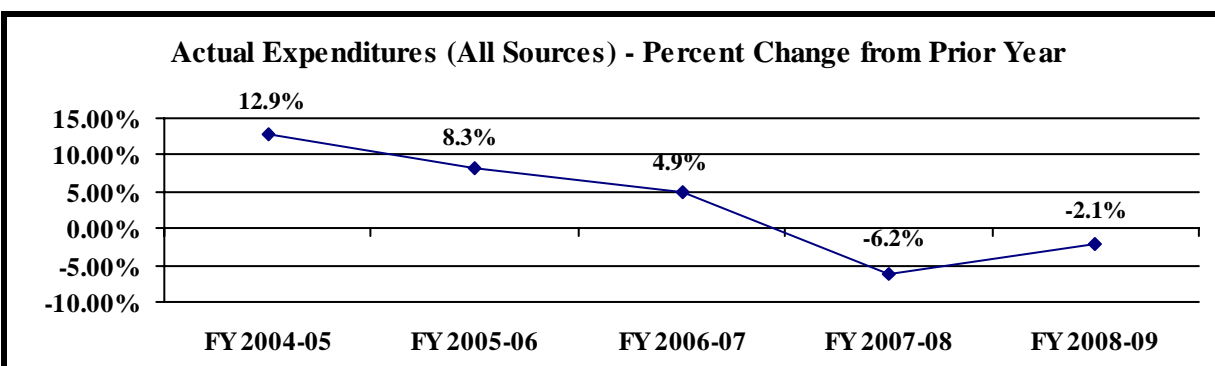
The North Carolina Wildlife Resources Commission (WRC) was created to manage, restore, develop, cultivate, conserve, protect, and regulate the State's wildlife resources. WRC administers the laws relating to game, game and freshwater fishes, and other wildlife resources. WRC has a 19-member board of appointed citizens; the Board elects a chair from its members.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Revenue	66,202,074	66,224,607	62,933,504	62,615,438
Expenditures	64,685,831	63,339,604	62,933,504	62,615,438
Fund Balance Change	\$1,516,243	\$2,885,003	\$0	\$0
Positions (FTE)	683.50	652.50	652.50	652.50

Budget Overview:

WRC is entirely receipt-supported. While it does not receive a General Fund appropriation, WRC does receive State funds through a direct sales tax transfer. WRC's budget for FY 2009-10 and FY 2010-11 are \$62,933,504 and \$62,615,438 respectively. FY 2009-10 budgeted expenditures reflect a 0.6% decrease from the prior year and reflects a \$21.5 million cap on the quarterly sales tax transfer. Receipts come from federal grants, the State sales tax, the gas tax, and the sale of hunting and fishing licenses. All receipts received in excess of total expenditures are retained by WRC.

Over the last five years, the average percentage change in actual expenditures was 3.6%. Changes in WRC's budget largely reflect the change in the State's sales tax revenue.



Wildlife Resources Commission

Budget Tables

The chart below details the Wildlife Resource Commission’s (WRC) operating budget by division.

Wildlife Resources Commission (24350 – Special Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	10,157,160	10,157,160
Enforcement	21,696,238	21,696,238
Conservation Education	5,014,669	5,014,669
Inland Fisheries	6,859,559	6,859,559
Wildlife Management	12,636,606	12,318,540
Engineering Services	5,519,323	5,519,323
Wildlife Fund Receipts	1,049,949	1,049,949
TOTAL	\$62,933,504	\$62,615,438
Revenue	(62,933,504)	(62,615,438)
CHANGE IN FUND BALANCE	\$0	\$0

The following table provides a breakdown of funds administered by WRC. WRC manages five special funds. Two of the funds, 24352 and 24353, serve primarily as receiving accounts for receipts generated by WRC’s programs and sales tax transfer, respectively. Budget code 64350 is an endowment fund for lifetime hunting and fishing licenses. Revenues in these funds are transferred to WRC’s operating funds, 24350 and 24351; fund 24350 accounts for the majority of WRC’s operating expenses. Intrafund transfers are excluded from the expenditure calculations below to avoid double-counting.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Wildlife Resources (24350 – Operations/Noninterest)	62,933,504	62,615,438
Wildlife Resources (24351 – Operations/Interest)	4,986,067	4,986,067
Wildlife Resources (24352 – Motorboat/Interest)	272,218	272,218
Wildlife Resources (24353 – Special/Noninterest)	0	0
Wildelife Resources Endowment (64350)	108,310	108,310
TOTAL	\$68,300,099	\$67,873,723

Wildlife Resources Commission

Other Funds

Wildlife Endowment Fund (64350)

Balance: \$69,437,194
(as of June 29, 2009)

The Wildlife Endowment Fund is established in G.S. 143-250.1 as a special trust, the income and principal of which can be used only for the purpose of supporting wildlife conservation programs of the State. The Endowment Fund may receive revenues from: gifts, grants, or contributions; lifetime sportsman combination licenses, hunting licenses, and fishing license sales; lifetime subscriptions to *Wildlife in North Carolina* magazine; and any amount in excess of the statutory fee for a particular lifetime license or subscription.

Federal legislation restricts the use of funds from recreational hunting and fishing license to those defined in Title 50, Part 80.4 of the Code of Federal Regulation (50 CFR 80.4). If used for other purposes, the federal government will withhold Wallop-Breax Sport Fish Recreational Funds, which are used to fund projects that enhance boating and fishing. This penalty continues until all diverted funds are repaid. In FY 2008-09, the Endowment generated receipts, including interest, of \$8.6 million and expended \$8.5 million.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 13.11 CAP WILDLIFE RESOURCES FUND ANNUAL SALES TAX RECEIPTS

This provision modified G.S. 105-164.44B, which directs that the Wildlife Resources Commission receive a direct transfer of State sales tax revenue. The initial \$2 million transfer in FY 1985-86 was based on the estimated amount of sales tax collect on the sale of recreational equipment. In FY 2008-09, the sales tax transfer to WRC exceeded \$24.7 million. In FY 2009-10 and FY 2010-11, S.L. 2009-451 caps the transfer at \$21.5 million. The cap reduces WRC's sales tax transfer by 13% but represents only a 4.6% reduction in total expected revenue when compared to actual FY 2008-09 receipts of approximately \$70 million. (**S.L. 2009-451, Sec. 13.11**)

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Department of Labor

NC Constitution, Art. III, Sec. 7, Other elective officers
 G.S. 95-1 Department of Labor established
 G.S. 95-4 Authority, powers and duties of Commissioner

Agency Description:

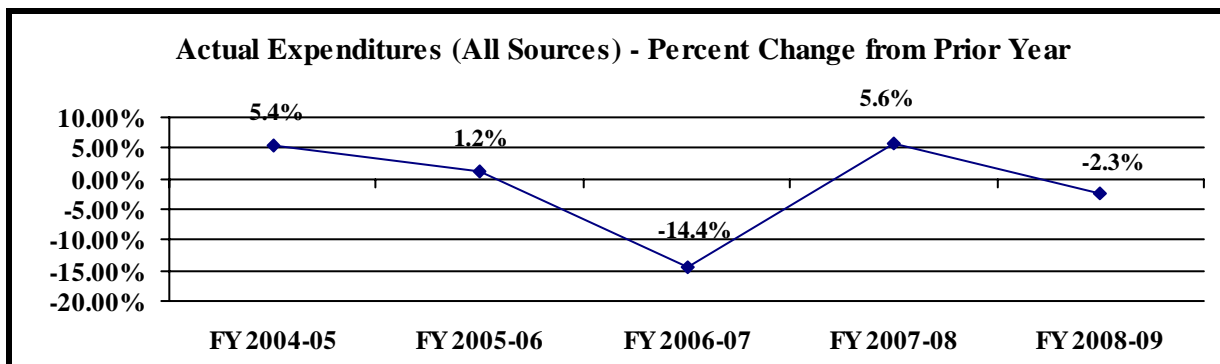
The Department of Labor (DOL) engages in a variety of regulatory functions related to workers in the State. Examples of DOL’s regulatory duties include occupational safety and health inspections, elevator inspections, migrant housing inspections, and boiler inspections. A Commissioner of Labor is elected every four years and serves as head of the Department.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	25,361,414	24,777,785	31,695,592	31,695,648
Revenue	8,627,361	7,802,230	14,294,785	14,294,785
Net Appropriations	\$16,734,053	\$16,975,555	\$17,400,807	\$17,400,863
Positions (FTE)	361.75	360.75	420.75	420.75

Budget Overview:

The total FY 2009-10 General Fund budget for DOL is \$31,695,592 and \$31,695,648 for FY 2010-11. The FY 2009-10 budget reflects a 27.9% increase over the prior year actual budget. This increase is due to an accounting change which returned two receipt-supported bureaus, Boiler Safety and Elevator and Amusement Devices, to the General Fund from special funds. In FY 2008-09, the Department was required to revert 7% to cover the budget shortfall; thus the certified budget was higher than the actual budget shown above. Fifty-five percent of the Department’s budget comes from net General Fund appropriations. The remaining 45% comes from receipts, primarily federal grants for Occupational Safety and Health programs.

Over the past five years, DOL’s budget has remained stable with a five-year average percentage change of one percent. The 14% difference between FY 2005-06 and FY 2006-07 is the result of moving Boiler Safety and Elevator and Amusement Devices to special funds from the General Fund.



Department of Labor

Budget Tables

The following table provides a breakdown of the Department of Labor’s total General Fund operating budget by division.

Labor (13800 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Administration	4,684,688	4,685,242
Occupational Safety and Health	16,393,702	16,388,838
Standards & Inspections	10,617,202	10,621,568
TOTAL	\$31,695,592	\$31,695,648
Revenue	(14,294,785)	(14,294,785)
NET GENERAL FUND APPROPRIATIONS	\$17,400,807	\$17,400,863

The following table provides a breakdown of the funds* administered by the Department of Labor including the General Fund operating budget.

Total Appropriations by Fund	Certified FY 2009-10	Certified FY 2010-11
Labor (13800 – General Fund)	31,695,592	31,695,648
Labor – Special (23800 – Special Fund)	400,320	400,320
TOTAL	\$32,095,912	\$32,095,968

Note:

*Total Appropriations by Fund as presented reflects only those budgets as certified by the Office of State Budget and Management.

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

Apprenticeship Program

The General Assembly reduced the Apprenticeship Program’s \$1.85 million FY 2009-10 General Fund budget by \$450,000 (approximately 25 percent). To cover this reduction, the Department will implement a \$50 new registration fee and a \$50 annual fee per apprentice. The fee will be payable as \$30 by the sponsor and \$20 by the apprentice, with public sector apprentices and sponsors exempt from all fees. Over the past four years, an average of 10,205 private-sector apprentices have been active in the program each year; potential revenue from

Department of Labor

the fee is estimated to be \$510,250. Additionally, the General Assembly closed the Pre-Apprenticeship Special Fund; the Pre-Apprenticeship program no longer exists. The remaining Pre-Apprenticeship Program fund balance of approximately \$100,000 will be used by the Apprenticeship Program to cover any potential budget shortfall before the new fees are implemented. (S.L. 2009-451, Sec. 12.1 and 12.3)

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

No relevant information to report.

Additional Legislation

No relevant information to report.

Agriculture and Consumer Services

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$65,402,492		\$65,638,839	

Legislative Changes

A. Department-Wide

1 Adjust Continuation Budget	(\$1,123,590)	R	(\$1,533,278)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget. Retains operating funds for the Senator Bob Martin Agricultural Center, the BSL 2 Diagnostic Lab, and Vet Services rendering costs.	-4.00		-4.00	

2 Vacant Positions	(\$860,680)	R	(\$860,680)	R
Eliminates the following vacant positions and corresponding benefits:	-16.50		-16.50	

60011486	Executive Assistant I	\$46,818
60011478	Administrative Officer II	\$38,174
60011494	Administrative Secretary	\$43,576
60011502	Accounting Tech II	\$31,041
60011773	Data Entry Operator	\$25,581
60012019	Chemist II	\$47,553
60011871	Office Assistant III	\$26,183
60012034	Lab Assistant	\$23,516
60012014	Laboratory Technician	\$27,448
60089841	Vet Lab Pathologist	\$123,105
60012143	Chemistry Supervisor II	\$50,940
60012189	Medical Lab Technician II	\$43,781
60012093	Livestock Compliance Officer	\$53,390
65005772	Meat & Poultry Inspector	\$14,751
60012627	Research Technician (Oxford)	\$27,282
60012660	Research Technician (Tidewater)	\$32,379
60012583	Research Technician (Cherry)	\$28,556
	Fringe Total	\$176,606

3 Operating Expense Reduction	(\$345,873)	R	(\$345,873)	R
Reduces following line items:				

Non-employee travel, subsistence, and education	\$3,199
Registrations	\$46,940
Employee Education Assistance Program	\$690
Employee Education	\$31,779
Memberships & Subscriptions	\$42,859
Cell Phones	\$121,817

Eliminates the following line items:	
Office Furniture	\$98,589

Overview: 2009 Session Fiscal and Budgetary Actions

FY 09-10	FY 10-11
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<p>4 Temporary Position Funding Reduces funding for temporary positions across the Department.</p>	<p>(\$27,905) R</p>	<p>(\$27,905) R</p>
<p>5 Fund Shift Positions to Receipt Support Shifts 10.7 positions to receipt support. These receipts come from various enterprise funds, grants, and other revenue sources.</p>	<p>(\$467,047) R -10.70</p>	<p>(\$467,047) R -10.70</p>
<p>6 Worker's Compensation Reduces funding for worker's compensation due to a recent decrease in premiums for the Department.</p>	<p>(\$75,000) R</p>	<p>(\$75,000) R</p>

C. General Administration

<p>7 Agricultural Finance Authority Service Charge Reduces General Fund support for the General Administration Division, replacing these funds with \$50,000 paid by the Agricultural Finance Authority for budgeting, accounting, and human resource services provided by the Division.</p>	<p>(\$50,000) R</p>	<p>(\$50,000) R</p>
<p>8 Agricultural Development & Farmland Preservation Trust Fund Provides \$2 million for the Agricultural Development and Farmland Preservation Trust Fund. (H.B. 618/S.B. 847)</p>	<p>\$2,000,000 NR</p>	
<p>9 FFA Foundation, Inc Reduces funding for FFA Foundation, Inc.</p>	<p>(\$1,980) R</p>	<p>(\$2,970) R</p>

D. Agronomic Services

<p>10 Fertilizer Assessment Replaces the General Fund appropriation with an increase in the fertilizer assessment. The fertilizer assessment will be increased from \$0.25 per ton of fertilizer to \$0.50 per ton, bringing North Carolina's assessment in line with surrounding states. All receipts from the increase will be used to support Agronomic Services. (S.L. 2009-451, Sec. 11.1)</p>	<p>(\$375,000) R</p>	<p>(\$375,000) R</p>
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E. Markets

<p>11 Got to Be NC Funding Provides nonrecurring funding for Got to Be NC marketing. This program promotes North Carolina's farmers by helping to develop markets for North Carolina produce and products in grocery stores, restaurants, farmers markets, and other establishments. Participation in Got to Be NC by North Carolina Farmers continues to grow, and farmers report sales increases of 10 to 40 percent upon joining the Got to Be NC promotion.</p>	<p>\$300,000 NR</p>	
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Overview: 2009 Session Fiscal and Budgetary Actions

	FY 09-10		FY 10-11	
12 Farmers Markets and Ag Center Fees	(\$175,000)	R	(\$175,000)	R
Replaces General Fund appropriation for the Farmers Markets and Agricultural Centers with increased fees at the Farmers Markets and Ag Centers across the state.				
F. Pesticides				
13 Pesticide Registration Fee	(\$500,000)	R	(\$500,000)	R
Increases the current annual pesticide registration fee from \$100 to \$150 for each brand or grade of pesticide registered and reduces General Fund appropriations to the Pesticide Division. (S.L. 2009-451, Sec. 11.2)				
G. Plant Industry				
14 Plant Inspection Fees	(\$58,303)	R	(\$58,303)	R
Increases nursery certification and registration fees and reduces the General Fund appropriation to the Plant Industry Division. The certification fee will increase from \$10 to \$100 for the initial acre and from \$2 to \$3 for additional acres. The registration fee for nurseries will increase from \$6 to \$20.				
H. Standards				
15 Calibration Inspection Over-realized Receipts	(\$20,000)	R	(\$20,000)	R
Budgets over-realized receipts for calibration inspections services.				
16 Petroleum Device Technician License Fee	(\$10,000)	R	(\$10,000)	R
Creates a \$20 registration fee for petroleum device technician licenses.				
I. Veterinary Services				
17 Animal Diagnostic Fees	(\$200,000)	R	(\$200,000)	R
Replaces General Fund appropriation for veterinary services with increased fees for certain animal diagnostic tests.				
J. Agricultural Statistics				
18 Technology Support Analyst Position	(\$30,276)	R	(\$30,276)	R
Eliminates funding for one W/A Technology Support Analyst within the Division of Agricultural Statistics.				
	-1.00		-1.00	
K. Public Affairs				
19 Ag in the Classroom Funding	(\$990)	R	(\$1,485)	R
Reduces funding for Ag in the Classroom.				

Overview: 2009 Session Fiscal and Budgetary Actions

FY 09-10

FY 10-11

L. Seed and Fertilizer

20 Seed Law Changes

(\$70,000) R (\$70,000) R

Adjusts expected receipts to reflect changes in the Seed Laws due to HB 1103. These increased receipts replace General Fund appropriation for this Division. (S.L. 2009-455)

M. Reserves and Transfers

21 Tidewater Research Station Operating Reserve

(\$276,414) R (\$276,414) R

Eliminates the operating reserve for the Tidewater Research Station. This funding was provided in FY 2008-09 and was not needed to operate the facility.

Total Legislative Changes

(\$4,668,058) R (\$5,079,231) R

\$2,300,000 NR

Total Position Changes

-32.20 -32.20

Revised Budget

\$63,034,434 \$60,559,608

DACS - Livestock Acquisition

Budget Code: 23700

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$10,988,567	\$10,484,872
Recommended Budget		
Requirements	\$1,095,495	\$1,098,495
Receipts	\$591,800	\$591,800
Positions	0.00	0.00

Legislative Changes

Requirements:

ARRA Funds for Aquaculture Grants	\$0 R	\$0 R
Appropriates the American Recovery and Reinvestment Act funds for Aquaculture grants. All funds will be distributed through grants to eligible aquaculture farmers.	\$797,772 NR	\$0 NR
		0.00
 2150 - ARRA Funds for TEFAP	 \$0 R	 \$0 R
Appropriates the administrative American Recovery and Reinvestment Act Funds for the Emergency Food Assistance Program. The Department will also receive a substantial amount of food through ARRA to be distributed across the state.	\$776,812 NR	\$0 NR
	0.00	0.00
 Subtotal Legislative Changes	 \$0 R	 \$0 R
	\$1,574,584 NR	\$0 NR
	0.00	0.00

Receipts:

ARRA Funds for Aquaculture Grants	\$0 R	\$0 R
Appropriates the American Recovery and Reinvestment Act funds for Aquaculture grants. All funds will be distributed through grants to eligible aquaculture farmers.	\$797,772 NR	\$0 NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
2150 - ARRA Funds for TEFAP	\$0 R	\$0 R
Appropriates the administrative American Recovery and Reinvestment Act Funds for the Emergency Food Assistance Program. The Department will also receive a substantial amount of food through ARRA to be distributed across the state.	\$776,812 NR	\$0 NR
Subtotal Legislative Changes	\$0 R	\$0 R
	\$1,574,584 NR	\$0 NR
<hr/>		
Revised Total Requirements	\$2,670,079	\$1,098,495
Revised Total Receipts	\$2,166,384	\$591,800
Change in Fund Balance	(\$503,695)	(\$506,695)
Total Positions	0.00	0.00
<hr/>		
Unappropriated Balance Remaining	\$10,484,872	\$9,978,177

Special Provisions

2009 Session: SB 202

Department: Agriculture and Consumer Services

Section: 11.1

Title: **Commercial Fertilizer Fees**

Summary Increases the commercial fertilizer assessment from \$0.25 per ton to \$0.50 per ton. The fertilizer assessment was last changed in 1947.

Section: 11.2

Title: **Increase Pesticide Registration Fee**

Summary Increases the annual registration fee for pesticides from \$100 to \$150.

Section: 11.3

Title: **Board of Agriculture Review of Fee Schedules**

Summary Directs the Board of Agriculture to review all fees under its authority to determine whether any changes should be made and report its findings to the House and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division by February 1 of each odd-numbered year.

Labor

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$19,064,773		\$19,092,834	
Legislative Changes				
Department-Wide				
22 Adjust Continuation Budget	(\$405,676)	R	(\$433,681)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
23 Vacant Positions	(\$390,285)	R	(\$390,285)	R
Eliminates the following vacant positions:				
	-7.50		-7.50	
60013028 Communications & Info. Assistant	\$45,361			
60013031 Admin. Officer III	\$50,653			
60012992 Wage & Hour Investigator I	\$49,706			
60013243 OSHA Ed & Train Specialist	\$61,810			
65005115 OSHA Ed & Train Specialist	\$51,831			
65005233 OSHA Carolina Star Consultant	\$53,753			
65005234 OSHA Carolina Star Consultant	\$53,753			
60013223 Admin. Secretary II (0.5 FTE)	\$23,418			
24 Operating Expense Reductions	(\$155,877)	R	(\$155,877)	R
Reduces the following line items:				
Non-employee travel, subsistence, and education	\$1,384			
Registrations	\$19,330			
Employee Education	\$4,979			
Memberships & Subscriptions	\$16,610			
Cell Phones	\$54,328			
In-State Ground Transportation	\$3,000			
General Admin Supplies	\$2,000			
PC Equipment	\$8,000			
Other Administrative Expenses	\$20,297			
Other Equipment	\$22,000			
Eliminates the following line items:				
Office Furniture	\$3,949			
25 Salary Reserve Reduction	(\$71,048)	R	(\$71,048)	R
Reduces salary reserve and associated social security and retirement expenses in funds 1110, 1120, and 1340.				

Administrative Services

26 General Fund Position to Receipt Support	(\$45,632)	R	(\$45,632)	R
Converts one Administrative Assistant position, associated fringe, and operating to receipt support. Receipts will be generated by the Elevator and Amusement Device Bureau, the Boiler Safety Bureau, and the OSH Division.	-1.00		-1.00	
27 Administrative Officer III Position to Receipt Support	(\$77,428)	R	(\$77,428)	R
Converts one Administrative Officer III position, associated fringe, and operating to receipt support. Receipts will be generated by the Elevator and Amusement Device Bureau, the Boiler Bureau, and the OSH Division.	-1.00		-1.00	

Occupational Safety and Health

28 State Funding for Library Periodicals	(\$18,306)	R	(\$18,306)	R
Eliminates State funding for periodicals in the DOL library.				
29 Publication Fees	(\$21,325)	R	(\$21,325)	R
Directs OSH to raise publication fees to adjust for inflation and to take a corresponding General Fund reduction. Fees were last raised February 1, 2001.				

Standards and Inspections

30 Mine and Quarry Operating	(\$28,389)	R	(\$28,389)	R
Shifts funding for operating expenses in the Mine & Quarry Bureau to federal receipts.				
31 Apprenticeship Program	(\$450,000)	R	(\$450,000)	R
Directs the Apprenticeship Program to create new fees to generate enough revenue so that the program can take a 25% reduction to General Fund support. (S.L. 2009-451, Sec. 12.1; S.L. 2009-451, Sec. 12.3)				
32 Elevator and Boiler Bureaus				
Transfers the operating budgets and cash balances for the Elevator and Amusement Device Bureau and the Boiler Bureau from a special fund code to a General Fund code. The Bureaus will remain receipt supported. (S.L. 2009-451, Sec. 12.3)				

Total Legislative Changes	(\$1,663,966)	R	(\$1,691,971)	R
Total Position Changes	-9.50		-9.50	
Revised Budget	\$17,400,807		\$17,400,863	

Labor - Special Funds

Budget Code: 23800

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$2,505,900	\$445,985
Recommended Budget		
Requirements	\$5,863,525	\$5,863,525
Receipts	\$5,863,525	\$5,863,525
Positions	68.00	68.00

Legislative Changes

Requirements:

2320 - Elevator Inspection Bureau Cash Balance

Transfers the Elevator Inspection Bureau cash balance to the appropriate General Fund fund code for the Elevator bureau.

\$0	R	\$0	R
\$1,379,036	NR	\$0	NR
0.00		0.00	

2310 - Boiler Inspection Bureau Cash Balance

Transfers the cash balance from the Boiler Inspection Bureau to the appropriate General Fund fund code for Boilers.

\$0	R	\$0	R
\$578,813	NR	\$0	NR
0.00		0.00	

2422 - Pre-Apprenticeship

Transfers the cash balance from the Pre-Apprenticeship special fund to the General Fund to be used by the Apprenticeship Program (13800 1420) in FY 2009-10. After this transfer, the fund will be permanently closed.

\$0	R	\$0	R
\$102,066	NR	\$0	NR
0.00		0.00	

2320 - Elevator Inspection Bureau

Transfers the Elevator Inspection Bureau operating budget from a special fund code to a General Fund code.

(\$3,414,118)	R	(\$3,414,118)	R
\$0	NR	\$0	NR
-44.00		-44.00	

2310 - Boiler Inspection Bureau

Transfers the Boiler Inspection Bureau operating budget from a special fund code to a General Fund code.

(\$2,049,087)	R	(\$2,049,087)	R
\$0	NR	\$0	NR
-24.00		-24.00	

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	FY 2009-10		FY 2010-11	
Subtotal Legislative Changes	(\$5,463,205)	R	(\$5,463,205)	R
	\$2,059,915	NR	\$0	NR
	-68.00		-68.00	
<hr/>				
Receipts:				
2320 - Elevator Inspection Bureau	(\$3,414,118)	R	(\$3,414,118)	R
Transfers the Elevator Inspection Bureau from a special fund code to a General Fund code.	\$0	NR	\$0	NR
2310 - Boiler Inspection Bureau	(\$2,049,087)	R	(\$2,049,087)	R
Transfers the Boiler Inspection Bureau from a special fund code to a General Fund code.	\$0	NR	\$0	NR
Subtotal Legislative Changes	(\$5,463,205)	R	(\$5,463,205)	R
	\$0	NR	\$0	NR
<hr/>				
Revised Total Requirements	\$2,460,235		\$400,320	
Revised Total Receipts	\$400,320		\$400,320	
Change in Fund Balance	(\$2,059,915)		\$0	
Total Positions	0.00		0.00	
<hr/>				
Unappropriated Balance Remaining	\$445,985		\$445,985	

Special Provisions

2009 Session: SB 202

Department: Labor

Section: 12.1

Title: **Department of Labor/Apprenticeship Program**

Summary Creates a new \$50 registration fee and a \$50 annual fee for the Apprenticeship Program. Each \$50 fee is split with \$30 owed by the sponsor and \$20 by the apprentice with the sponsor remitting the entire fee to the Department of Labor. Public entities and their apprentices are exempt from the fees.

Section: 12.2

Title: **Department of Labor/Review All Fees Biennially**

Summary Directs the Department to review all fees charged under its authority every two years to see if any fees should be changed and to report those findings to the House and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division by February 1 of each odd-numbered year.

Section: 12.3

Title: **Department of Labor/Transfer Special Funds to General Fund and to Apprenticeship Program**

Summary Subsection (a) transfers the unencumbered cash balance as of June 30, 2009 from the Elevators and Boilers special funds to a General Fund fund code. Subsection (b) closes the Pre-Apprenticeship Special Fund and transfers the cash balance to the Apprenticeship Program.

Environment & Natural Resources

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$212,524,097		\$214,924,435	
Legislative Changes				
(1.0) Department-Wide				
33 Adjust Continuation Budget	(\$8,997,314)	R	(\$10,908,885)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget. Retains operating funds for the Nature Research Center, Chimney Rock State Park, Carvers Creek State Park, the Fort Macon State Park Coastal Education Center, the Raven Rock State Park Visitors Center, and Yellow Mountain State Park.	-10.00		-23.00	
34 Vacant Positions	(\$3,422,028)	R	(\$3,422,028)	R
Eliminates vacant positions within the Department.	-69.82		-69.82	
35 Operating Expense Reductions	(\$724,866)	R	(\$724,866)	R
Reduces the following line items:				
Non-employee travel, subsistence, and education	\$ 7,195			
Registrations	\$124,064			
Workshop Travel	\$ 4,381			
Workshop Subsistence	\$ 419			
Employee Education	\$ 66,489			
Memberships & Subscriptions	\$ 73,489			
Cell Phones	\$163,914			
Eliminates the following line items:				
Office Furniture	\$277,415			
Honorariums	\$ 7,500			
36 General Fund Positions to Receipt Support	(\$1,617,030)	R	(\$1,617,030)	R
Shifts positions currently supported by the General Fund to receipt support.	-25.40		-25.40	
(2.0) Administration				
37 Fines and Penalties Administrative Expenses				
Transfers the operating budget for administrative expenses related to Fines and Penalties from a special fund code to a General Fund code. The activities will remain receipt supported.				

(3.0) Center for Geographic Information Analysis

38 Center for Geographic Information Analysis Transfer	(\$167,549)	R	(\$167,549)	R
Transfers two General Fund positions for NC OneMap to the Office of the State Chief Information Officer. (H.B. 719; S.L. 2009-451, Sec. 6.8; S.L. 2009-451, Sec. 13.1G)	-2.00		-2.00	

(3.0) Environmental Health

39 Food and Lodging Inspection Fee	(\$250,000)	R	(\$250,000)	R
Adjusts the food/lodging inspection fees. Fees are currently either \$50 or \$200 and will be increased to \$75 and \$250 respectively. Fees were last increased October 1, 2002. New fee revenue will be distributed in accordance with G.S.130A-248. Fee revenue credited to the Department will be used to support operations of the Division and will allow the Division to take a corresponding General Fund reduction. (S.L. 2009-451, Sec. 13.2)	-0.50		-0.50	

40 Tick-borne Disease Funding Transfer	\$139,802	R	\$139,802	R
Transfers \$139,802 from the Department of Health and Human Services to continue tick-borne disease work within the Division of Environmental Health.				

41 Radiation Protection Section	(\$406,621)	R	(\$813,242)	R
Requires that the Radiation Protection section become entirely receipt supported by 2010-11. Reduces General Fund support by 50% in FY 2009-10 and eliminates all General Fund support in FY 2010-11. Moves 11.0 positions from the General Fund to receipt support in FY 2010-11. (S.L. 2009-451, Sec. 13.3)			-11.00	

42 General Fund Support to Receipt Support	(\$61,724)	R	(\$61,724)	R
Shifts funding for rent for the Division's main office to a federal grant.				

(3.0) Land Resources

43 Landslide Hazard Aerial Photography	(\$60,000)	R	(\$100,000)	R
Reduces funding to landslide hazard aerial photography.				

44 County Boundary Program	(\$106,479)	R	(\$106,479)	R
Eliminates funding for the County Boundary Program.	-1.00		-1.00	

(3.0) Pollution Prevention & Enviro. Assistance

45 Solid Waste Management Trust Fund Receipts

(\$225,000) R (\$225,000) R

Directs the Division to shift operating expenses to the Solid Waste Management Trust Fund (SWMTF). SWMTF began receiving new revenue in FY 2008-09 from the solid waste disposal tax, a portion of which was authorized to be used for operating expenses. (S.L. 2009-451, Sec. 13.3A)

(3.0) Waste Management

46 Inactive Hazardous Sites Cleanup Fund Receipts

\$0 R (\$300,000) R

Directs the Division to shift operating expenses to the Inactive Hazardous Sites Cleanup Fund. The Inactive Hazardous Sites Cleanup Fund began receiving new revenue in FY 2008-09 from the solid waste disposal tax, a portion of which was authorized to be used for operating expenses. (S.L. 2009-451, 13.3E)

0.00 -3.20

(3.0) Water Quality

47 Neuse River Rapid Response Team

(\$101,439) R (\$101,439) R

Reduces funding for the Neuse River Rapid Response Team and eliminates two positions.

-2.00 -2.00

48 Water Quality Monitoring on Ferry Vessels

\$250,000 NR

Provides funds for the FerryMon Program which evaluates water quality in the Pamlico Sound and its tributary rivers using equipment attached to ferry vessels. (H.B. 1211)

(3.0) Water Resources

49 Stream and Well Monitoring Contracts

(\$21,884) R (\$21,884) R

Reduces funding for stream and well monitoring contracts by 10%. The Division is encouraged to negotiate lower rates for these contracts to compensate for the appropriation reduction.

(4.0) Forest Resources

50 Young Offenders/ BRIDGE Program

(\$1,043,840) R (\$1,043,840) R

Eliminates funding for the Young Offenders/ BRIDGE program. This program is subject to continuation review.

\$1,043,840 NR -10.00

51 Forestry Equipment

(\$500,000) R (\$500,000) R

Reduces the Division of Forest Resources' equipment budget.

52 ARRA Funds for Wildfire Management

Recognizes the \$6,408,000 that the Division of Forest Resources will receive from the federal American Recovery and Reinvestment Act for wildfire management.

(4.0) Marine Fisheries

53 Fisheries Resource Grant Program

(\$250,000) R (\$250,000) R

Reduces funds available for the Fisheries Resource Grant program by \$250,000. Of the \$750,000 remaining for the program, \$600,000 shall be used for the Sea Grant program within NCSU and \$150,000 shall be used for River Herring research.

54 Oyster Reef Program Reduction

(\$250,000) R (\$250,000) R

Reduces funding for the Oyster Reef program.

55 Governor's Cup Special Fund Transfer

Transfers the operating budget for the Governor's Cup from a special fund code to Marine Fisheries' General Fund code. The activities will remain receipt supported.(S.L. 2009-451, Sec. 13.1G(b))

(4.0) Office of Environmental Education

56 Administrative Assistant

(\$43,980) R (\$43,980) R

Eliminates the Administrative Assistant position that supports the Office of Environmental Education.

-1.00 -1.00

57 DENR Library

(\$90,000) R (\$90,000) R

Eliminates funding for the DENR library housed within the Office of Environmental Education. The library collection will be transferred to the State Library.

-1.00 -1.00

58 Teacher Certification Fee Special Fund Transfer

Transfers the special fund budget for the Office of Environmental Education's Teacher Certification fees to the Office's General Fund code. The Office will continue to collect the certification fee but budget these receipts and associated expenditures in the General Fund budget code.

(4.0) Parks & Recreation

59 State Park Parking Fees

\$0 R (\$2,237,963) R

Reduces General Fund appropriation for State Parks and replaces appropriation with fees for parking. The Division of Parks and Recreation is directed to draft and implement a parking plan for State Parks. (S.L. 2009-451, Sec. 13.9B)

60 State Park Fees

\$0 R (\$500,000) R

Reduces General Fund appropriation for State Parks and replaces these funds with an increase in fees. Potential fee changes could include increases in cabin and shelter rental rates, camping fees, and other facility use fees.

Overview: 2009 Session Fiscal and Budgetary Actions

FY 09-10

FY 10-11

(4.0) Soil & Water Conservation

61 Financial Assistance Funding

Reduces funding for financial assistance within the Ag Cost Share program.

(\$500,000) R (\$500,000) R

(5.0) Reserves & Transfers

62 Beaver Management Assistance Program

Eliminates the transfer to the Wildlife Resources Commission (WRC) for the Beaver Management Assistance Program. WRC will continue to operate the program using \$349,000 in WRC revenue from funds available. (S.L. 2009-451, Sec. 13.10)

(\$349,000) R (\$349,000) R

63 Grassroots Science Museums

Reduces General Fund support for the Grassroots Science Museums. (S.L. 2009-451, Sec. 13.7)

(\$69,627) R (\$69,627) R

64 Partnership for the Sounds

Reduces General Fund support for the Partnership for the Sounds.

(\$10,345) R (\$10,345) R

65 Drinking Water State Revolving Fund

Provides funds to meet the 20% State match required to draw down maximum federal funds for the Drinking Water State Revolving Fund.

\$5,482,800 NR

66 Clean Water State Revolving Fund Match

Provides funds to meet the 20% State match required to draw down maximum federal funds for the Clean Water State Revolving Fund. Additional funding of \$1,544,400 will come from a transfer from the Rural Center Infrastructure Program. (S.L. 2009-451, Sec. 14.28)

\$936,600 NR

Total Legislative Changes

(\$19,128,924) R (\$24,525,079) R
\$7,713,240 NR

Total Position Changes

-112.72 -149.92

Revised Budget

\$201,108,413 \$190,399,356

DENR - Special

Budget Code: 24300

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$28,784,067	\$14,021,047
Recommended Budget		
Requirements	\$61,821,423	\$61,821,423
Receipts	\$47,180,496	\$47,180,496
Positions	368.48	368.48

Legislative Changes

Requirements:

2865 - North Carolina Aquarium Fund	\$657,770	R	\$657,769	R
Increases the operating budget for the North Carolina Aquarium Fund to reflect the transfer of the Aquarium's Special Activities and Events funds into this fund.	\$551,436	NR	\$0	NR
	0.00		0.00	
 Division of Air Quality ARRA Funding	 \$0	 R	 \$0	 R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Air Quality for the diesel emissions reduction program.	\$800,000	NR	\$930,000	NR
	0.00		0.00	
 Division of Water Quality ARRA Funding	 \$0	 R	 \$0	 R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Water Quality. 40% of the funds will be granted to the Councils of Government, and 60% will be used by the Division for water quality projects.	\$415,320	NR	\$279,080	NR
	0.00		0.00	
 Subtotal Legislative Changes	 \$657,770	 R	 \$657,769	 R
	\$1,766,756	NR	\$1,209,080	NR
	0.00		0.00	

Receipts:

2009 Annotated Conference Committee Report

	FY 2009-10		FY 2010-11	
Division of Air Quality ARRA Funding	\$0	R	\$0	R
Appropriates federal American Recovery and Reinvestment Act fund to the Division of Air Quality for the diesel emissions reduction program.	\$800,000	NR	\$930,000	NR
2865 - North Carolina Aquarium Fund	\$535,677	R	\$535,677	R
Increases the cash balance of this fund by adding the cash balances of the Special Activities and Events funds for the three aquariums into this budget.	\$551,436	NR	\$0	NR
Division of Water Quality ARRA Funding	\$0	R	\$0	R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Water Quality.	\$415,320	NR	\$279,080	NR
Subtotal Legislative Changes	\$535,677	R	\$535,677	R
	\$1,766,756	NR	\$1,209,080	NR
<hr/>				
Revised Total Requirements	\$64,245,949		\$63,688,272	
Revised Total Receipts	\$49,482,929		\$48,925,253	
Change in Fund Balance	(\$14,763,020)		(\$14,763,019)	
Total Positions	368.48		368.48	
<hr/>				
Unappropriated Balance Remaining	\$14,021,047		(\$741,972)	

DENR- Governor's Cup Trust

Budget Code: 24302

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$6,566	(\$337)
Recommended Budget		
Requirements	\$9,080	\$9,080
Receipts	\$4,414	\$4,414
Positions	0.00	0.00

Legislative Changes

Requirements:

Governor's Cup	(\$9,080) R	(\$9,080) R
Closes this budget code and transfers the operating budget and cash balance to the Division of Marine Fisheries in General Fund budget code 14300-1315.	\$6,903 NR	\$0 NR
	0.00	0.00
Subtotal Legislative Changes	(\$9,080) R	(\$9,080) R
	\$6,903 NR	\$0 NR
	0.00	0.00

Receipts:

Governor's Cup	(\$4,414) R	(\$4,414) R
Closes this fund and transfers the operating budget to the Division of Marine Fisheries' General Fund budget code 14300-1315.	\$0 NR	\$0 NR
Subtotal Legislative Changes	(\$4,414) R	(\$4,414) R
	\$0 NR	\$0 NR

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$6,903	\$0
Revised Total Receipts	\$0	\$0
Change in Fund Balance	(\$6,903)	\$0
Total Positions	0.00	0.00
Unappropriated Balance Remaining	(\$337)	(\$337)

Reserve for Forest Development

Budget Code: 24307

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$0	\$0
Recommended Budget		
Requirements	\$3,212,060	\$3,212,060
Receipts	\$3,212,060	\$3,212,060
Positions	2.75	2.75

Legislative Changes

Requirements:

Continuation Budget Correction	(\$589,500) R	(\$589,500) R
Removes the FY 2008-09 nonrecurring appropriation for the Forest Development Program included in the Continuation Budget.	\$0 NR	\$0 NR
	0.00	0.00
Subtotal Legislative Changes	(\$589,500) R	(\$589,500) R
	\$0 NR	\$0 NR
	0.00	0.00

Receipts:

Correction to Continuation Budget	(\$589,500) R	(\$589,500) R
Reduces the expected General Fund transfer for the Forest Development Program. This transfer was nonrecurring in FY 2008-09 and should not have been included in the continuation budget.	\$0 NR	\$0 NR
Subtotal Legislative Changes	(\$589,500) R	(\$589,500) R
	\$0 NR	\$0 NR

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$2,622,560	\$2,622,560
Revised Total Receipts	\$2,622,560	\$2,622,560
Change in Fund Balance	\$0	\$0
Total Positions	2.75	2.75
Unappropriated Balance Remaining	\$0	\$0

DENR - Special

Budget Code: 24308

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$14,436,392	\$12,002,853
Recommended Budget		
Requirements	\$33,996,265	\$33,996,265
Receipts	\$32,019,146	\$32,019,146
Positions	11.50	11.50

Legislative Changes

Requirements:

2105 - Environmental Education Certification Fees	\$0	R	\$0	R
Closes this fund and transfers the cash balance to the Office of Environmental Education's General Fund budget, 14300-1120.	\$30,899	NR	\$0	NR
	0.00		0.00	
2850 - Special Activities - Roanoke Island	(\$67,459)	R	(\$67,459)	R
Closes Roanoke Island's Special Activities fund and transfers the operating budget and cash balance to the North Carolina Aquarium Fund in 24300-2865.	\$46,151	NR	\$0	NR
	0.00		0.00	
2851 - Events - Roanoke Island	(\$36,018)	R	(\$38,018)	R
Closes Roanoke Island's Events fund and transfers the operating budget and cash balance to the North Carolina Aquarium Fund in 24300-2865.	\$98,525	NR	\$0	NR
	0.00		0.00	
2855 - Special Activities - Fort Fisher	(\$221,812)	R	(\$221,812)	R
Closes Fort Fisher's Special Activities fund and transfers the operating budget and cash balance to the North Carolina Aquarium Fund in 24300-2865.	\$86,300	NR	\$0	NR
	-1.00		-1.00	
2856 - Events - Fort Fisher	(\$108,164)	R	(\$108,164)	R
Closes Fort Fisher's Events fund and transfers the operating budget to the North Carolina Aquarium Fund in 24300-2865.	\$46,411	NR	\$0	NR
	0.00		0.00	

2009 Annotated Conference Committee Report

	FY 2009-10		FY 2010-11	
2860 - Special Activities - Pine Knoll Shores	(\$121,922)	R	(\$121,922)	R
Closes Pine Knoll Shores' Special Activities fund and transfers the operating budget and cash balance to the North Carolina Aquarium Fund in 24300-2865.	\$107,487	NR	\$0	NR
	0.00		0.00	
2861 - Events - Pine Knoll Shores	(\$102,395)	R	(\$102,395)	R
Closes Pine Knoll Shores' Events fund and transfers the operating budget and the cash balance to the North Carolina Aquarium Fund in 24300-2865.	\$162,739	NR	\$0	NR
	0.00		0.00	
Subtotal Legislative Changes	(\$657,770)	R	(\$659,770)	R
	\$578,512	NR	\$0	NR
	-1.00		-1.00	

Receipts:

2850 - Special Activities - Roanoke Island	(\$64,992)	R	(\$64,992)	R
Closes Roanoke Island's Special Activities fund and transfers the operating budget to the North Carolina Aquarium Fund in 24300-2865.	\$0	NR	\$0	NR
2851 - Events - Roanoke Island	(\$27,114)	R	(\$27,114)	R
Closes Roanoke Island's Events fund and transfers the operating budget and cash balance to the North Carolina Aquarium Fund in 24300-2865.	\$0	NR	\$0	NR
2855 - Special Activities - Fort Fisher	(\$160,461)	R	(\$160,461)	R
Closes Fort Fisher's Special Activities fund and transfers the operating budget to the North Carolina Aquarium Fund in 24300-2865.	\$0	NR	\$0	NR
2856 - Events - Fort Fisher	(\$58,793)	R	(\$58,793)	R
Closes Fort Fisher's Events fund and transfers the operating budget to the North Carolina Aquarium Fund in 24300-2865.	\$0	NR	\$0	NR
2860 - Special Activities - Pine Knoll Shores	(\$121,922)	R	(\$121,922)	R
Closes Pine Knoll Shores' Special Activities fund and transfers the operating budget to the North Carolina Aquarium Fund in 24300-2865.	\$0	NR	\$0	NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
2861 - Events - Pine Knoll Shores	(\$102,395) R	(\$102,395) R
Closes Pine Knoll Shores' Events fund and transfers the operating budget to the North Carolina Aquarium Fund in 24300-2865.	\$0 NR	\$0 NR
Subtotal Legislative Changes	(\$535,677) R	(\$535,677) R
	\$0 NR	\$0 NR
<hr/>		
Revised Total Requirements	\$33,917,007	\$33,336,495
Revised Total Receipts	\$31,483,469	\$31,483,469
Change in Fund Balance	(\$2,433,538)	(\$1,853,026)
Total Positions	10.50	10.50
<hr/>		
Unappropriated Balance Remaining	\$12,002,853	\$10,149,827

DENR - Special Revenue - GF

Budget Code: 24317

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$1,927,955	\$1,927,955
Recommended Budget		
Requirements	\$7,605,614	\$7,605,614
Receipts	\$6,833,634	\$6,833,634
Positions	2.00	2.00

Legislative Changes

Requirements:

2339 - ADM Fines & Penalties	(\$1,582,499) R	(\$1,582,499) R
Transfers this fund to a General Fund code and permanently closes the special fund.	\$0 NR	\$0 NR
	-2.00	-2.00
Subtotal Legislative Changes	(\$1,582,499) R	(\$1,582,499) R
	\$0 NR	\$0 NR
	-2.00	-2.00

Receipts:

2339 - ADM Fines & Penalties	(\$810,519) R	(\$810,519) R
Transfers this special fund to a General Fund code and permanently closes the special fund.	\$0 NR	\$0 NR
Subtotal Legislative Changes	(\$810,519) R	(\$810,519) R
	\$0 NR	\$0 NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$6,023,115	\$6,023,115
Revised Total Receipts	\$6,023,115	\$6,023,115
Change in Fund Balance	\$0	\$0
Total Positions	0.00	0.00
Unappropriated Balance Remaining	\$1,927,955	\$1,927,955

DENR Commercial LUST Cleanup

Budget Code: 64305

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$69,991,212	\$55,754,572
Recommended Budget		
Requirements	\$42,741,876	\$42,741,876
Receipts	\$28,505,236	\$28,505,236
Positions	8.00	8.00

Legislative Changes

Requirements:

Leaking Underground Storage Tanks ARRA Funding	\$0 R	\$0 R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Waste Management for the Commercial Leaking Underground Storage Tank program.	\$3,777,000 NR 0.00	\$3,777,000 NR 0.00
Subtotal Legislative Changes	\$0 R \$3,777,000 NR 0.00	\$0 R \$3,777,000 NR 0.00

Receipts:

Leaking Underground Storage Tanks ARRA Funding	\$0 R	\$0 R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Waste Management for the Commercial Leaking Underground Storage Tank Program.	\$3,777,000 NR	\$3,777,000 NR
Subtotal Legislative Changes	\$0 R \$3,777,000 NR	\$0 R \$3,777,000 NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$46,518,876	\$46,518,876
Revised Total Receipts	\$32,282,236	\$32,282,236
Change in Fund Balance	(\$14,236,640)	(\$14,236,640)
Total Positions	8.00	8.00
Unappropriated Balance Remaining	\$55,754,572	\$41,517,932

DENR Water Pollution Revolving Loan

Budget Code: 64311

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$251,284,798	\$251,284,798
Recommended Budget		
Requirements	\$60,491,575	\$60,491,575
Receipts	\$60,491,575	\$60,491,575
Positions	1.00	1.00

Legislative Changes

Requirements:

Clean Water SRF ARRA Funding	\$0	R		\$0	R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Water Quality for the Clean Water State Revolving Loan Fund.	\$46,864,550		NR	\$23,864,550	NR
	0.00			0.00	
Subtotal Legislative Changes	\$0		R	\$0	R
	\$46,864,550		NR	\$23,864,550	NR
	0.00			0.00	

Receipts:

Clean Water SRF ARRA Funding	\$0	R		\$0	R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Water Quality for the Clean Water State Revolving Loan Fund.	\$46,864,550		NR	\$23,864,550	NR
Subtotal Legislative Changes	\$0		R	\$0	R
	\$46,864,550		NR	\$23,864,550	NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$107,356,125	\$84,356,125
Revised Total Receipts	\$107,356,125	\$84,356,125
Change in Fund Balance	\$0	\$0
Total Positions	1.00	1.00
Unappropriated Balance Remaining	\$251,284,798	\$251,284,798

DENR Drinking Water SRF

Budget Code: 64320

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$39,607,712	\$38,490,478
Recommended Budget		
Requirements	\$24,559,165	\$24,559,165
Receipts	\$23,441,931	\$23,441,931
Positions	14.00	14.00

Legislative Changes

Requirements:

Drinking Water SRF ARRA Funding	\$0	R		\$0	R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Environmental Health for the Drinking Water State Revolving Loan Fund.	\$43,750,000		NR	\$21,875,000	NR
	0.00			0.00	
Subtotal Legislative Changes	\$0		R	\$0	R
	\$43,750,000		NR	\$21,875,000	NR
	0.00			0.00	

Receipts:

Drinking Water SRF ARRA Funding	\$0	R		\$0	R
Appropriates federal American Recovery and Reinvestment Act funds to the Division of Environmental Health for the Drinking Water State Revolving Loan Fund.	\$43,750,000		NR	\$21,875,000	NR
Subtotal Legislative Changes	\$0		R	\$0	R
	\$43,750,000		NR	\$21,875,000	NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$68,309,165	\$46,434,165
Revised Total Receipts	\$67,191,931	\$45,316,931
Change in Fund Balance	(\$1,117,234)	(\$1,117,234)
Total Positions	14.00	14.00
Unappropriated Balance Remaining	\$38,490,478	\$37,373,244

Special Provisions

2009 Session: SB 202

Department: Environment & Natural Resources

Section: 13.1A

Title: **Department of Environment and Natural Resources Review of Fee Schedules**

Summary Directs the Department of Environment and Natural Resources (DENR) to review all fees charged under its authority every two years to see if any fees should be changed and to report those findings to the House and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division by February 1 of each odd-numbered year.

Section: 13.1B

Title: **DENR to Study Advisability of Eliminating or Consolidating any Environmental Boards, Commissions, or Councils**

Summary Directs DENR to look at all boards, commissions, or councils located within the Department to see if there are inefficiencies or duplications. Also directs DENR to see if the membership of the boards have the appropriate expertise and time to serve. DENR is to report its findings by May 1, 2010 to the Chairs of the House and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division.

Section: 13.1C

Title: **Joint Departmental Study of Transferring Grade "A" Milk Sanitation Program**

Summary Directs DENR and the Department of Agriculture and Consumer Services (DACS) to jointly study the feasibility and advisability of transferring the Grade "A" Milk Sanitation Program within the Division of Environmental Health to DACS. Requires that a report be submitted by May 1, 2010 describing the current Grade "A" Milk Program, the Food Program with DACS, and the evaluation of transferring the Grade "A" Milk Program including the fiscal impact and any efficiency gains or losses.

Section: 13.1F

Title: **Joint Study of DENR Special Funds**

Summary Directs DENR, the Office of State Budget and Management, the Office of the State Controller, and the Fiscal Research Division to study the special funds within DENR. Requires a report to the Environmental Review Commission and the House and Senate Appropriations Subcommittees on Natural and Economic Resources by May 1, 2010.

Section: 13.1G

Title: **Close/Transfer Certain DENR Special Funds**

Summary Subsection (a) closes six small funds within the Aquariums division and transfers them to the main Aquariums special fund. Subsection (b) closes the Governor's Cup Trust Fund special fund and transfers the cash balance to the Division of Marine Fisheries. Subsection (c) closes the Environmental Education Certification special fund and transfers the cash balance to the Office of Environmental Education. Subsection (d) closes the ADM - Fines & Penalties special fund and moves it to a General Fund code, transferring the cash balance to the General Fund. Subsection (e) closes three special funds (DWQ - Groundwater Protection Permit Fees; DLR - SB7 Landslide Mapping; and DLR - VRS Geodetic Survey & DOT) and transfers any cash balance to the General Fund. Subsection (f) transfers three funds related to the Center for Geographic Information and Analysis to the Information Technology Fund.

Section: 13.2

Title: **Food and Lodging Inspection Fees Increases**

Summary Increases the food and lodging inspection fee from \$50 to \$75 and increases the plan review fee from \$200 to \$250.

Section: 13.3

Title: **Radiation Protection Section Supported by Fees/Increase Fees**

Summary Amends G.S. 104E-19 to clarify that fees charged by the Radiation Protection Section can be used to support all of its activities under the Chapter. Further amends G.S. 104E-19 to set maximum fee amounts for tanning and x-ray facilities. Subsections (c) and (d) set fee amounts in session law for FY 2009-10 and FY 2010-11.

Section: 13.3A

Title: **Expand Permissible Uses of the Solid Waste Management Trust Fund**

Summary Amends G.S. 130A-309.12(a) to add that all activities of the Division of Pollution Prevention and Environmental Assistance are an acceptable use of funds in the Solid Waste Management Trust Fund.

Section: 13.3B

Title: **Change Distribution of Scrap Tire Net Tax Proceeds**

Summary Amends G.S. 105-187.19(b) and G.S. 130A-309.54 to change the allocation of the tire tax proceeds: lowers the allocation to the Scrap Tire Disposal Account to 17% from 22% and allocates 2.5% to the Inactive Hazardous Sites Cleanup Fund and 2.5% to the Bernard Allen Emergency Drinking Water Fund.

Section: 13.3C

Title: **Increase Cap for Voluntary Remedial Actions at Inactive Hazardous Disposal Sites/DENR Monitoring Fee**

Summary Amends G.S. 130A-310.9(a) to raise the voluntary remedial action liability cap to \$5 million from \$3 million. Creates a \$1,000 fee payable to DENR by participants in the program to cover the costs of monitoring and enforcement.

Section: 13.3E

Title: **Use of Solid Waste Disposal Tax Proceeds**

Summary Amends G.S. 130A-295.9 to state that up to 7% of the funds credited to the Inactive Hazardous Sites Cleanup Fund for remediation of pre-1983 landfills can be used for administrative expenses related to the assessment and remediation of inactive hazardous waste sites.

Section: 13.6

Title: **New Lease Purchase/Installment Contracts for Forestry Equipment**

Summary Requires the Division of Forest Resources and the Department of Administration to provide a detailed list of proposed forestry equipment purchases to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division before entering into any new lease purchase contracts.

Section: 13.7

Title: **Grassroots Science Program**

Summary Subsection (a) allocates \$3,411,713 in FY 2009-10 and FY 2010-11 to 27 regional science museums. These allocations do not utilize the traditional funding formula; funds are allocated using the same distribution as in FY 2008-09.

Subsections (b) through (e) outline the reporting requirements of the recipient museums, the conditions for qualifying to receive funding, and the definition of a "friends association."

Subsection (f) directs DENR to study the advisability of implementing a competitive and need-based grant program for these museums beginning in FY 2011-12. The report is due to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriation Subcommittees on Natural and Economic Resources, and the Fiscal Research Division no later than May 1, 2010.

Section: 13.9

Title: **Forest Development Fund**

Summary Repeals G.S. 113A-192(c) through G.S. 113A-192(e). This allows for the primary forest products assessment to be collected regardless of the whether General Funds are appropriated to the Forest Development Program.

Section: 13.9B

Title: **Study Access to State Parks**

Summary Directs the Division of Parks and Recreation within DENR, in consultation with the Fiscal Research Division, to study the costs and benefits of charging parking fees at any or all State parks. The Department is to report its findings to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division by March 1, 2010.

Section: 13.10

Title: **Beaver Damage Control Program Funds**

Summary Requires the Wildlife Resources Commission to use \$349,000 from funds available to the Commission to provide the State share necessary to support the Beaver Damage Control Program. Requires a minimum federal match of \$25,000 in each year of the biennium for the program.

Wildlife Resources - Operating

Budget Code: 24350

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$659,630	\$659,630
Recommended Budget		
Requirements	\$65,680,466	\$65,362,400
Receipts	\$65,680,466	\$65,362,400
Positions	652.50	652.50

Legislative Changes

Requirements:

Sales Tax Transfer	\$0 R	\$0 R
Reduces the sales tax transfer to the Wildlife Resources Commission to reflect the cap of \$21.5 million.	(\$2,746,962) NR	(\$2,746,962) NR
	0.00	0.00
Subtotal Legislative Changes	\$0 R	\$0 R
	(\$2,746,962) NR	(\$2,746,962) NR
	0.00	0.00

Receipts:

Sales Tax Transfer	\$0 R	\$0 R
Reduces the sales tax transfer to the Wildlife Resources Commission to reflect the cap of \$21.5 million.	(\$2,746,962) NR	(\$2,746,962) NR
Subtotal Legislative Changes	\$0 R	\$0 R
	(\$2,746,962) NR	(\$2,746,962) NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$62,933,504	\$62,615,438
Revised Total Receipts	\$62,933,504	\$62,615,438
Change in Fund Balance	\$0	\$0
Total Positions	652.50	652.50
Unappropriated Balance Remaining	\$659,630	\$659,630

Special Provisions

2009 Session: SB 202

Department: Wildlife Resources Commission

Section: 13.11

Title: **Cap Wildlife Resources Fund Annual Sales Tax Receipts**

Summary Caps the sales tax transfer to the Wildlife Resources Commission at \$21.5 million for FY 2009-10 and FY 2010-11.

DENR-Clean Water Management Trust Fund

GENERAL FUND

	FY 09-10		FY 10-11
Adjusted Continuation Budget	\$100,000,000		\$100,000,000
Legislative Changes			
Clean Water Management Trust Fund			
67 Appropriation Reduction			
Reduces the appropriation to the Clean Water Management Trust Fund.	(\$50,000,000)	NR	(\$50,000,000) NR
Total Legislative Changes	(\$50,000,000)	NR	(\$50,000,000) NR
Total Position Changes			
Revised Budget	\$50,000,000		\$50,000,000

Special Provisions

2009 Session: SB 202

Department: DENR-Clean Water Management Trust Fund

Section: 13.1

Title: **Revise Clean Water Management Trust Fund Operations Limit**

Summary Allows the Clean Water Management Trust Fund to use up to \$2.1 million in each year of the biennium for operating and administrative expenses.

Commerce

GENERAL FUND

Adjusted Continuation Budget	FY 09-10		FY 10-11	
	\$46,019,823		\$46,028,986	
Legislative Changes				
A. Department-Wide				
68 Adjust Continuation Budget	(\$1,718,394)	R	(\$1,718,394)	R
Adjusts continuation budget to a level at or below FY 2008-09 Authorized Budget.				
69 Vacant Positions	(\$634,581)	R	(\$634,581)	R
Eliminates all positions vacant as of October 1, 2008.				
	-9.00		-9.00	
70 Operating Expense Reductions	(\$333,615)	R	(\$333,615)	R
Reduces the following line items:				
Non-employee travel, subsistence, and education	\$ 8,687			
Registrations	\$72,230			
Employee Education Assistance Program	\$ 645			
Employee Education	\$61,453			
Memberships & Subscriptions	\$80,910			
Cell Phones	\$69,364			
Eliminates the following line items:				
Honorariums	\$ 2,900			
Office Furniture	\$37,426			
C. Executive Aircraft				
71 Aircraft Funds	(\$250,000)	R	(\$250,000)	R
Eliminates remaining funds for aircraft purchases.				
72 Aircraft Fleet	(\$148,058)	R	(\$296,115)	R
Directs the Department of Commerce to sell the King Air plane and reduces all associated operating support. Also eliminates one pilot position. Receipts generated by the sale of the plane will be used to replace any loss in receipts resulting from a decrease in usage.				
	-1.00		-1.00	
D. MIS				
73 Transferred Positions	(\$250,000)	R	(\$250,000)	R
Eliminates the salaries, benefits, and operating support for three positions that were transferred to ITS in November 2008.				

F. Marketing

74 Marketing

Provides funds to market the State as a business destination.

\$203,885 NR

G. Business and Industry

75 International Trade Contractors in B&I

Reduces funding for International Trade Contractors in the Business and Industry Division.

(\$75,000) R (\$75,000) R

76 Continuation Budget Funds for China Office

Moves funds appropriated for the new China Trade Office from the International Trade Division to the Business and Industry Division. These two divisions each fund one position in the trade offices. Funds for the International Trade position were appropriated in FY 2008-09. The Continuation Budget included an adjustment to provide the Business and Industry position, but the funds were appropriated to the wrong fund. This item corrects that.

\$175,000 R \$175,000 R

H. International Trade

77 Continuation Budget Funds for China Office

Moves funds appropriated for the new China Trade Office from the International Trade Division to the Business and Industry Division. These two divisions each fund one position in the trade offices. Funds for the International Trade position were appropriated in FY 2008-09. The Continuation Budget included an adjustment to provide the Business and Industry position, but the funds were appropriated to the wrong fund. This item corrects that.

(\$175,000) R (\$175,000) R

78 Korean Trade Office

Eliminates the General Fund appropriation for the Korean Trade Office. This office is shared with the NC Ports Authority, and can be fully supported by the Ports.

(\$12,000) R (\$12,000) R

79 International Trade Performance Bonuses

Eliminates funding for performance bonuses for International Trade contractors.

(\$25,000) R (\$25,000) R

I. Tourism, Film, and Sports Development

80 Heritage Tourism

Reorganizes Heritage Tourism into three regions. Each region will have one Heritage Tourism officer, and a Heritage Tourism Director will be located at the Department of Commerce. One additional position will coordinate the Blue Ridge Parkway 75th Anniversary.

(\$360,711) R (\$360,711) R
-7.00 -7.00

Overview: 2009 Session Fiscal and Budgetary Actions

FY 09-10	FY 10-11
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81 Wine and Grape Growers Council	\$828,000	R	\$810,000	R
Transfers the Wine and Grape Growers Council to General Fund support. (S.L. 2009-451, Sec. 14.19)	3.00		3.00	

L. Commerce Finance

82 Continuation Budget for JMAC	(\$5,000,000)	R	(\$5,000,000)	R
Corrects the Continuation Budget for the Job Maintenance and Capital Development Fund (JMAC). Funds were appropriated for FY 2008-09 on a nonrecurring basis but were included in the Continuation Budget on a recurring basis. JMAC has a cash balance of \$5 million and does not need an appropriation for FY 2009-10.				

83 One NC Small Business Fund	\$700,000	NR		
Provides funds for the One NC Small Business Fund program, which provides matching grants to businesses that qualify for federal SBIR/STTR Incentive funds. (S.B. 608)				

84 Small Business Assistance Fund				
Creates a new fund within the Department to assist small businesses with 100 or fewer employees and less than \$1 million in annual receipts. The Fund will provide loans to qualifying businesses for any of the following purposes: <ul style="list-style-type: none"> -To provide emergency bridge loans; and, -For any other purpose related to small business job preservation. (H.B. 814/S.B. 982) (This item originally appropriated \$500,000 for the Small Business Assistance Fund. S.L. 2009-575, Modify Appropriations Act, amended this item to appropriate the funds to the Rural Economic Development Center instead.)				

85 Green Business Fund				
Section 14.12 allocates \$5 million of the funds received by the State under the American Recovery and Reinvestment Act and appropriated to the State Energy Office to the Green Business Fund. The Green Business Fund provides grants to private businesses with less than 100 employees, non-profit organizations, and State agencies to encourage the growth of a green economy in North Carolina. (S.L. 2009-451, Sec. 14.12)				

M. Community Assistance

86 Main Street Solutions	\$2,000,000	NR		
Creates the Main Street Solutions Fund. This program will provide grants to micropolitan cities in Tier Two and Three counties to assist with economic development projects designed to foster job creation and entrepreneurship in the State's smaller cities. (S.B. 1092; S.L. 2009-451, Sec. 14.10)				

Overview: 2009 Session Fiscal and Budgetary Actions

FY 09-10

FY 10-11

N. Industrial Commission

87 Legal Specialists to Receipt Support

Transfers support for three legal specialists in the Commissioners' Office from General Fund to receipts.

(\$167,987)	R	(\$167,987)	R
-3.00		-3.00	

88 Deputy Commissioners to Receipt Support

Transfers support for two Deputy Commissioners from General Fund to receipts.

(\$203,760)	R	(\$203,760)	R
-2.00		-2.00	

O. State Energy Office

89 State Energy Office

Transfers the State Energy Office to the Department by Type I transfer. (S.L. 2009-446)

\$3,955,819	R	\$3,403,386	R
8.00		8.00	

Total Legislative Changes

(\$4,395,287)	R	(\$5,113,777)	R
\$2,903,885	NR		

Total Position Changes

-11.00	-11.00
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Revised Budget

\$44,528,421	\$40,915,209
---------------------	---------------------

Commerce - Special

Budget Code: 24600

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$89,336,533	\$53,123,848
Recommended Budget		
Requirements	\$182,777,229	\$182,777,229
Receipts	\$146,564,544	\$146,564,544
Positions	91.40	91.40

Legislative Changes

Requirements:

Workforce Investment Act (WIA) ARRA Funds	\$0 R	\$0 R
Appropriates federal American Recovery and Reinvestment Act (ARRA) funds for workforce development as follows:	\$79,827,136 NR	\$0 NR
	0.00	0.00
Local Workforce Development Boards: \$56.7 m		
State Administration: \$ 1.5 m		
Statewide Projects: \$ 8.1 m		
NCCCS 12 and 6 Program: \$13.5 m		
 NC Grape Growers' Council	 (\$900,000) R	 (\$900,000) R
Transfers the operating budget for the Grape Growers' Council to General Fund support.	\$0 NR	\$0 NR
	-3.00	-3.00
 Subtotal Legislative Changes	 (\$900,000) R	 (\$900,000) R
	\$79,827,136 NR	\$0 NR
	-3.00	-3.00

Receipts:

Workforce Investment Act (WIA) ARRA Funds	\$0 R	\$0 R
	\$79,827,136 NR	\$0 NR
 NC Grape Growers' Council	 (\$900,000) R	 (\$900,000) R
Transfers receipts for the Grape Growers' Council to the General Fund.	\$0 NR	\$0 NR

2009 Annotated Conference Committee Report

	FY 2009-10	FY 2010-11
Subtotal Legislative Changes	(\$900,000) R	(\$900,000) R
	\$79,827,136 NR	\$0 NR
<hr/>		
Revised Total Requirements	\$261,704,365	\$181,877,229
Revised Total Receipts	\$225,491,680	\$145,664,544
Change in Fund Balance	(\$36,212,685)	(\$36,212,685)
Total Positions	88.40	88.40
<hr/>		
Unappropriated Balance Remaining	\$53,123,848	\$16,911,163

Special Provisions

2009 Session: SB 202

Department: Commerce

Section: 14.1

Title: **One North Carolina Fund**

Summary Allows the Department of Commerce to use up to \$300,000 of funds available in the One NC Fund for administration of this and other economic development funds.

Section: 14.2

Title: **One North Carolina Funds/Use of Cash Balance**

Summary Directs the Department to transfer \$1 million from the One NC Fund cash balance to the North Carolina Minority Support Center in FY 2009-10. (H.B. 262/S.B. 667)

Section: 14.3

Title: **Small Business Assistance Fund**

Summary Creates a Small Business Assistance Fund within the Department of Commerce.

(Section 12(b) of S.L. 2009-575, Modify Appropriations Act, repealed this section.)

Section: 14.4

Title: **Wanchese Seafood Industrial Park/Oregon Inlet Funds**

Summary Boilerplate provision that prevents any unexpended or unencumbered funds appropriated to the Wanchese Seafood Industrial Park and the Oregon Inlet Project from reverting to the General Fund.

Section: 14.5

Title: **Economic Development Funds/Reporting Requirements**

Summary Changes reporting requirements for the Site Infrastructure Development Fund, the Job Maintenance and Capital Development Fund, the One NC Small Business Fund, and the Trade Jobs for Success program from quarterly reports to annual reports due on September 1 of each year. Repeals G.S. 143B-438.13(d), the Employment and Training Grant Program, and G.S. 143B-472.80(5), the Biennial Report on the Impact of Education on Economic Growth.

Section: 14.6

Title: **Study State Aircraft Fleets**

Summary Directs the Program Evaluation Division to study the State's aircraft fleets. The report on findings and recommendations shall be submitted to the House and Senate Appropriations Committees and the Fiscal Research Division by May 1, 2010.

Section: 14.7

Title: **Executive Aircraft/Use for Economic Development Priority**

Summary Clarifies language in G.S. 143B-437.011, Executive Aircraft Used for Economic Development, to allow use of the planes for non-economic development purposes by the Governor or other State officials employed by agencies that do not have their own aircraft and who are traveling on State business.

Section: 14.8

Title: **NER Block Grants**

Summary Allocates \$45 million in federal Community Development Block Grant (CDBG) funds for FY 2009-10. Provides for subsequent increases or decreases in fund availability and places limitations on the use of CDBG funds. Allows capacity building grants to be made for non-profit organizations from funds available within program categories, program income or unobligated funds. Directs Commerce to consult with the Joint Legislative Commission on Governmental Operations prior to reallocating funds, except when an emergency arises that poses a threat to public health or safety or if future funding might be adversely affected.

Subsection (g) adds a new reporting requirement to the provision. The Department must submit a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of CDBG funds appropriated in the prior fiscal year by September 1.

Section: 14.9

Title: **NER CDBG/American Recovery and Reinvestment Act 2009**

Summary Appropriates federal Community Development Block Grant funds (CDBG) from the American Recovery and Reinvestment Act of 2009 (ARRA) for FY 2009-10 as follows:

State Administration:	\$ 604,030.50
Local Administration:	\$ 604,030.50
Infrastructure Grants:	\$ 5,872,553.00
Housing Grants:	\$ 3,000,000.00
Special Projects:	\$ 2,000,000.00
Total:	\$12,080,614.00

Requires the Department to consult with the Joint Legislative Commission on Governmental Operations prior to reallocating any of these funds.

Section: 14.10

Title: **Main Street Grant Funds**

Summary Rewrites G.S. 143B-472.35 to create the Main Street Solutions Fund. The Fund will provide grants to cities in Tier 2 and 3 counties with populations between 10,000 and 50,000 people. Grants from \$20,000 to \$300,000 may be used for various purposes, including projects related to downtown revitalization. The Department is required to report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division no later than September 1 each year concerning the allocation of Main Street Solutions grants in the previous fiscal year. (S.B. 1092)

Section: 14.11

Title: **Tourist Destination Marketing**

Summary Directs the Department of Commerce to promote historically underutilized businesses and supplier diversity within the State when marketing the State.

Section: 14.12

Title: **NC Green Business Fund/Funds**

Summary Allocates \$5 million of the ARRA funds appropriated to the State Energy Office to the Green Business Fund for FY 2009-10.

Section: 14.14

Title: **Extend Deadline for Twenty Percent Reduction of Petroleum Products Use for State Fleets/Clarify Report Requirement**

Summary Subsection (a) rewrites Section 19.5(a) of S.L 2005-276 to extend the deadline by which all State agencies, universities and community colleges that have State-owned vehicles must achieve a twenty percent reduction or displacement of their current petroleum use. The deadline was January 1, 2010. This provision extends it to July 1, 2011.

Subsection (b) adds an end date to Section 19.5(c) of S.L. 2005-276, requiring annual reports on petroleum usage reduction by agencies and by the State Energy Office. The last report from the agencies will be due September 1, 2011; the last report from the Energy Office will be due November 1, 2011.

Section: 14.15

Title: **Industrial Commission Fees/Computer System Replacement**

Summary Allows the Industrial Commission to keep any increase in the compromised settlement fee in excess of \$200 to replace the existing computer hardware and software used for the operations of the Commission.

Section: 14.16

Title: **Industrial Commission/Safety Education Section**

Summary Requires the Industrial Commission to charge a fee for workplace safety training provided by the Safety Education Section. The Industrial Commission must report on the fees established by this section by September 1, 2009.

Section: 14.17

Title: **Employment Security Commission Funds**

Summary Subsection (a) allows for funds in the Employment Security Commission (ESC) Reserve Fund to be available for use as collateral to secure federal funds and to pay for the administrative costs associated with the collection of the Employment Security Commission Reserve Fund surcharge.

Subsection (b) appropriates \$20 million from the Employment Security Commission Reserve Fund for the following purposes:

ESC Local Offices	\$19,500,000
ESC SOICC	\$ 200,000
ESC Common Follow-Up	\$ 300,000

Subsection (c) appropriates \$1 million from the Reserve Fund to ESC to fund State initiatives not currently funded through federal grants. Subsection (d) appropriates \$1.5 million from the Reserve Fund to ESC to fund a system upgrade for the Common Follow-Up Management Information System. Subsection (e) allows ESC to use funds in the Reserve Fund to contract with nonprofit organizations to provide dislocated workers with assistance in obtaining health care benefits, receiving vocational training, and securing employment.

Section: 14.18

Title: **Employment Security Commission/American Recovery and Reinvestment Act of 2009**

Summary Appropriates \$14.6 million in federal funds to the Employment Security Commission. Funds may be used to improve outreach to individuals; improve unemployment benefits; or for staff assisted reemployment services for unemployment claimants.

Section: 14.19

Title: **Commerce/Enterprise Funds and Special Funds**

Summary Subsection (a) closes the North Carolina Grape Growers Council Fund and transfers the remaining fund balances to the General Fund. A corresponding item in the Committee Report appropriates funds to the Council from the General Fund.

Subsection (b) transfers the cash balances remaining as of June 30, 2009 in all of Commerce's enterprise fund accounts to the General Fund.

Subsection (c) realigns some of Commerce's special funds so that all economic development funds are in the same budget code.

Subsection (d) consolidates all of Commerce's enterprise funds into the same budget code.

Subsection (e1) directs that, at the end of the fiscal year, each fund will transfer cash balances greater than 20% of the fund's operating budget to the General Fund.

Subsection (e2) requires the agency responsible for administering each fund to report to the Joint Legislative Commission on Governmental Operations prior to expending any funds from its cash balance.

(S.L. 2009-575, Sec. 12A, Modify Appropriations Act, corrected a technical error in the title of the Joint Legislative Commission on Governmental Operations.)

Section: 14.20

Title: **State Banking Commission/Fees & Assessment Changes Effective July 1**

Summary Adds language to G.S. 53-122(e) to clarify that fee changes adopted by the State Banking Commission shall become effective July 1 of the next fiscal year. Also requires the Banking Commission to report fee changes to the Joint Legislative Commission on Governmental Operations.

Section: 14.26

Title: **Set Regulatory Fee for Utilities Commission**

Summary Sets the rate used to calculate the public utility regulatory fee at 0.12% for each public utility's NC revenues earned during each quarter of the fiscal year. Sets the electric membership corporation regulatory fee at \$200,000 for the fiscal year. These rates are the same as they were in FY 2008-09.

2009 Session: HB 836

Department: Commerce

Section: 12

Title: **TECHNICAL CHANGE: Small Business Assistance Fund and Rural Economic Development Center**

Summary Amends S.L. 2009-451, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budget, by deleting the \$500,000 for the Small Business Assistance Fund and instead, appropriating those funds to the NC Rural Economic Development Center. Repeals the Section 14.3 of S.L. 2009-451, the special provision creating the Small Business Assistance Fund in the Department of Commerce.

Section: 12A

Title: **TECHNICAL CHANGE: Commerce/Enterprise Funds and Special Funds**

Summary Corrects S.L. 2009-451, Sec. 14.19.(e2), which incorrectly referred to the "Joint Legislative Oversight Committee on Governmental Operations." This section corrects that language to say the "Joint Legislative Commission on Governmental Operations."

Commerce - State Aid

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$15,642,232		\$15,642,232	
Legislative Changes				
90 Land Loss Prevention	(\$31,777)	R	(\$47,577)	R
Reduces the recurring pass-through appropriation for Land Loss Prevention.				
91 Institute of Minority Economic Development	(\$112,826)	R	(\$169,226)	R
Reduces the recurring pass-through appropriation for the Institute of Minority Economic Development.				
92 Association of Community Development Corporations (CDCs)	(\$43,966)	R	(\$65,966)	R
Reduces the recurring pass-through appropriation for the Association of CDCs.				
93 Minority Support Center	(\$140,151)	R	(\$210,251)	R
Reduces the recurring appropriation for the Minority Support Center. Section 14.2 provides an additional \$1 million nonrecurring for FY 2009-10 from the One NC Cash balance to further community economic development lending and support in low-wealth communities and to make capital accessible to small businesses.				
94 Community Development Initiative	(\$209,834)	R	(\$314,634)	R
Reduces the recurring pass-through appropriation for the Community Development Initiative.				
95 e-NC Authority	(\$19,800)	R	(\$29,700)	R
Reduces the recurring pass-through appropriation for the e-NC Authority.				
96 Councils of Government (COGs)	(\$398,828)	R	(\$398,828)	R
Reduces the recurring pass-through appropriation for the COGs. (S.L. 2009-451, Sec. 14.21)				
97 High Point Furniture Market	(\$17,325)	R	(\$17,325)	R
Reduces the recurring pass-through appropriation for the High Point Furniture Market.				

Overview: 2009 Session Fiscal and Budgetary Actions

FY 09-10

FY 10-11

98 Regional Economic Development Commissions

Provides funding for the seven Regional Economic Development Commissions. Funds will be allotted to the Commissions in accordance with the formula set out in Section 14.25. (S.B. 774; S.L. 2009-451, Sec. 14.25)

\$5,000,000 NR

99 Defense and Security Technology Accelerator

Provides funds for the Partnership for Defense Innovation to support the Defense and Security Technology Accelerator, a business incubator focusing on economic development opportunities in industries relating to homeland security and national defense. (H.B. 55; S.L. 2009-451, Sec.14.23)

\$1,000,000 NR \$1,000,000 NR

100 Biofuels Center of North Carolina

Section 14.13 allocates \$4 million of the funds received by the State under the American Recovery and Reinvestment Act and appropriated to the State Energy Office to the Biofuels Center of NC. Funds will be used for costs related to implementing the North Carolina Strategic Plan for Biofuels Leadership developed under S.L. 2006-206. (S.L. 2009-451, Sec. 14.13)

101 Biofuels Center of North Carolina

Provides funds for the Biofuels Center's cost of implementing the North Carolina Strategic Plan for Biofuels Leadership developed under S.L. 2006-206. (H.B. 400/S.B. 841)

\$1,000,000 NR

Total Legislative Changes

(\$974,507) R (\$1,253,507) R
\$7,000,000 NR \$1,000,000 NR

Total Position Changes

Revised Budget

\$21,667,725 \$15,388,725

Special Provisions

2009 Session: SB 202

Department: Commerce - State Aid

Section: 14.2

Title: **One North Carolina Funds/Use of Cash Balance**

Summary Directs the Department of Commerce to transfer \$1 million from the One NC Fund cash balance to the North Carolina Minority Support Center in FY 2009-10. (H.B. 262/S.B. 667)

Section: 14.13

Title: **Biofuels Center of North Carolina**

Summary Allocates \$4 million of the American Recovery and Reinvestment Act funds appropriated to the State Energy Office to the Biofuels Center of North Carolina for FY 2009-10.

Section: 14.21

Title: **Council of Government Funds**

Summary Outlines the process for allocating funds to the Regional Councils of Government (COGs). Explains the procedure through which funds flow from the Department of Commerce to the COGs. Requires each COG to submit an annual report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1 of each year. Requires the COGs to submit audited financial statements to the Fiscal Research Division within 30 days of issuance.

Section: 14.22

Title: **State-Aid Reporting Requirements**

Summary Requires each non-profit receiving funds through Commerce - State Aid to report on the use of funds by September 1 each year. Restricts allocation of funds for entities not complying with the reporting requirements.

Section: 14.23

Title: **Defense and Security Technology Accelerator**

Summary States that funds appropriated to the Defense and Security Technology Accelerator shall be used to advance and support the facilitation of federal appropriations and grants allocated for federal contracts and laboratory facilities designed to support and facilitate projects related to the U.S. Department of Defense.

Section: 14.24

Title: **North Carolina Indian Economic Development Initiative**

Summary Transfers \$100,000 of the funds appropriated to the Department of Commerce to Commerce - State Aid for the North Carolina Indian Economic Development Initiative. (S.B. 441/H.B. 408)

Section: 14.25

Title: **Regional Economic Development Commission Allocations**

Summary Subsections (a) and (b) outline the three-step process for allocating the \$5 million appropriation to the seven Regional Economic Development Commissions.

First, each commission's allocation is calculated by taking the sum of the allocations to each county that is a member of that commission. County allocations are determined by dividing the county's development factor (as calculated by the Department of Commerce using the Tier calculation formula) by the sum of the development factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation.

Next, the allocation for NC's Eastern Region is adjusted by subtracting the interest earnings from the 1993 \$7.5 million appropriation to what was then the Global TransPark Development Zone. For the current year, NC's Eastern Region reported \$308,666, which represents the total interest earnings in FY 2008-09 on the estimated balance of the \$7.5 million and the total interest earnings in FY 2008-09 on any loans made from the \$7.5 million.

Finally, the \$308,666 is redistributed among the seven commissions according to the same formula used to calculate the original allocations.

Subsection (c) restricts individual salaries paid from State funds to no more than \$120,000 per year. (This limitation applies to State funds only; there is no restriction on the use of other funds for this purpose.) Subsection (d) encourages the commissions to seek funding from other sources.

N.C. Biotechnology Center

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$15,427,561		\$15,427,561	
Legislative Changes				
102 Operating Reductions	(\$617,561)	R	(\$925,661)	R
Reduces the recurring pass-through appropriation for the Biotechnology Center.				
Total Legislative Changes	(\$617,561)	R	(\$925,661)	R
Total Position Changes				
Revised Budget	\$14,810,000		\$14,501,900	

Special Provisions

2009 Session: SB 202

Department: N.C. Biotechnology Center

Section:

Title: **No special provisions.**

Summary No special provisions

Rural Economic Development Center

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$24,059,581		\$24,059,581	
Legislative Changes				
103 Operating Efficiencies	(\$152,145)	R	(\$227,145)	R
Reduces the core funding appropriation to the Rural Center.				
104 Small Business Assistance	\$500,000	NR		
S.L. 2009-575, Modify Appropriations Act, appropriated \$500,000 to the Rural Center to support existing small businesses. (S.L. 2009-575, Sec. 12)				
Total Legislative Changes	(\$152,145)	R	(\$227,145)	R
	\$500,000	NR		
Total Position Changes				
Revised Budget	\$24,407,436		\$23,832,436	

Special Provisions

2009 Session: SB 202

Department: Rural Economic Development Center

Section: 14.27

Title: **Rural Economic Development Center**

Summary Allocates the Rural Center's core appropriation for the 2009-10 and 2010-11 fiscal years. Defines community development corporations. Requires the Rural Center to report to the Office of State Budget and Management for its biennial budget request and to submit an annual report by September 1 of each year to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 14.28

Title: **Rural Economic Development Center/Infrastructure Program**

Summary Allocates \$19,305,000 to the Rural Center for each year of the biennium to support the North Carolina Infrastructure Program. Directs that up to \$385,000 each year may be used for administrative expenses and requires an annual report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1 of each year.

Section: 14.30

Title: **Opportunities Industrialization Centers Funds**

Summary Directs \$343,000 in FY 2009-10 and \$336,000 in FY 2010-11 to be distributed to certified Opportunities Industrialization Centers (OIC) in the State. Requires the Rural Center to report on OICs by September 1 of each year and to insure that each OIC files the appropriate statements with the State Auditors Office. Further directs the Rural Center to not release funds to any OIC with overdue tax debts.

Section: 14.31

Title: **Rural Economic Development Center/Clean Water Partners Funding**

Summary Changes reporting requirement to a yearly report (formerly quarterly) for the \$150 million Clean Water Partners funding received in FY 2007-08 and FY 2008-09. Requires the Rural Center to continue to report until all funds have been expended.

Section: 14.32

Title: **Rural Economic Development Center/American Recovery and Reinvestment Act Funds**

Summary Directs the Rural Center to use funds appropriated to insure that North Carolina maximizes the amount of American Recovery and Reinvestment Act funds it receives for water and wastewater projects.

Section: 14.33

Title: **Rural Center/Provide Assistance to Rural Communities to Access Federal Funds**

Summary Directs the Rural Center to assist rural communities applying for American Recovery and Reinvestment Act funds with advice on writing grants, applying for funds, reviewing grant proposals, and other activities as needed.

2009 Session: HB 836

Department: Rural Economic Development Center

Section: 12

Title: **TECHNICAL CHANGE: Rural Economic Development Center**

Summary Amends S.L. 2009-451, Joint Conference Committee Report on the Continuation, Expansion, and Capital Budget, by adding \$500,000 to the Rural Economic Development Center's budget for small business assistance programs. Changes the Rural Center's total budget to \$24,407,436.

Appropriations Subcommittee on Transportation

Subcommittee Summary:

The Appropriations Subcommittees on Transportation, consisting of 25 General Assembly members, review and recommend the budgets for the State’s highway construction and maintenance programs, public transportation, driver’s license and vehicle registration, vehicle safety and emissions inspection programs, and the State Highway Patrol.

Subcommittee Membership:

Rep. Nelson Cole, Chair
 Rep. Grier Martin, Chair
 Rep. Lucy Allen
 Rep. Lorene Coates
 Rep. Ty Harrell
 Rep. William Current, Sr.
 Rep. Margaret Dickson
 Rep. Jerry Dockham
 Rep. Phillip Frye
 Rep. Rosa Gill
 Rep. Mitch Gillespie
 Rep. Jim Gulley
 Rep. Frank Iler
 Rep. Nick Mackey
 Rep. Pat McElraft
 Rep. Arthur Williams

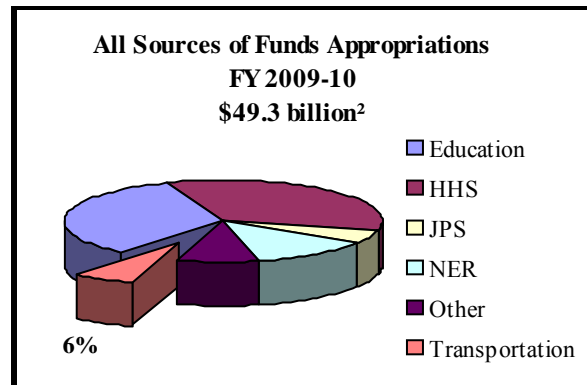
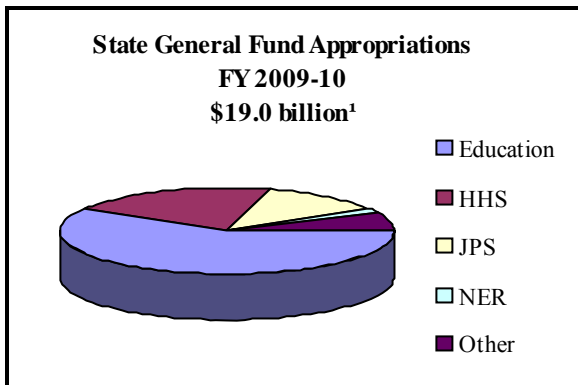
Sen. Steve Goss, Chair
 Sen. Malcolm Graham, Chair
 Sen. Philip Berger
 Sen. Harry Brown
 Sen. Neal Hunt
 Sen. Clark Jenkins
 Sen. Bob Rucho
 Sen. Larry Shaw
 Sen. Josh Stein

Staff:

Bob Weiss, Team Leader
 Amna Cameron
 Karlynn O’Shaughnessy

Budget Comparison:

The State’s transportation and highway patrol services are funded through the Highway Fund, Highway Trust Fund, and federal funds; they receive no State General Fund appropriations. Of total appropriations from all sources for FY 2009-10, a total of \$3.1 billion or 6.3% is dedicated to transportation programs and services. The following charts illustrate the Subcommittee’s total as compared to other appropriations subcommittee totals:



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Department of Transportation

G.S. 136-18 Powers of Department of Transportation

Agency Description:

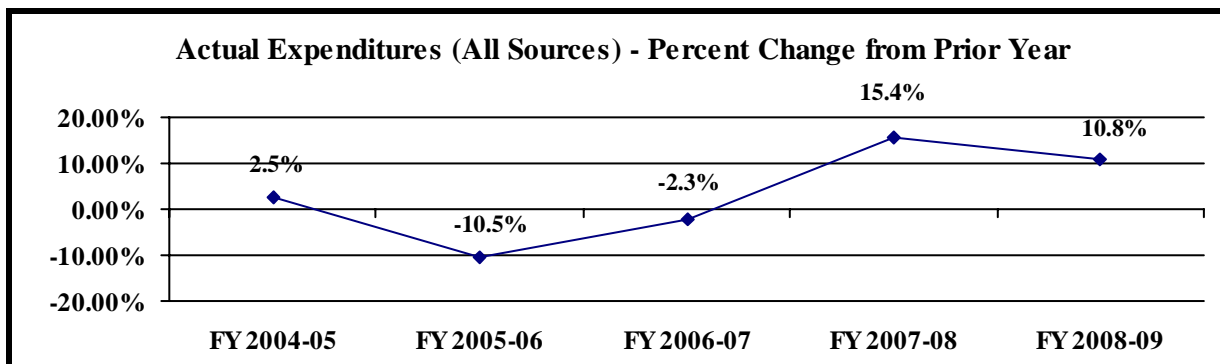
The Department of Transportation establishes and maintains a statewide transportation system consisting of over 79,000 miles of primary and secondary roads, public transportation services, intercity passenger rail service, ferry service, and an airport economic development program. The Department issues over 2.3 million driver's license and identification cards annually, registers 8.5 million vehicles annually, and oversees the vehicle safety and emissions inspection program for vehicles.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	3,494,174,361	3,871,834,663	3,206,629,532	3,292,281,999
Revenue	1,058,072,257	1,325,189,193	1,050,802,587	1,061,575,785
Net Appropriations	\$2,436,102,104	\$2,546,645,470	\$2,155,826,945	\$2,230,706,214
Positions (FTE)	14,761.00	14,680.00	14,732.00	14,732.00

Budget Overview:

The budget for the Department of Transportation is \$3.2 billion for FY 2009-10 and \$3.3 billion for FY 2010-11. In addition, revenue from federal ARRA funds total \$838 million in FY 2009-10. The agency receives 67% of its revenues from State motor fuels tax, Highway Use Tax, and Division of Motor Vehicle fees and 33% of its revenues from the federal government. The agency's budget is a special fund separate from the State General Fund. The special fund consists of revenues from the Highway Fund, the Highway Trust Fund, and federal funds. It does not receive a State General Fund appropriation. The budget for FY 2009-10 is a 17.1% decrease from the actual expenditures for FY 2008-09.

The Department of Transportation has averaged a 3.1% increase over the past five years in expenditures, primarily due to expenditure of bond proceeds and steady federal funds. Additionally, the General Assembly has increased transfers to other State agencies from the Highway Fund.



Department of Transportation

Budget Tables

The following table provides a breakdown for the Department of Transportation (DOT) operating budget by major categories of expenditures. This chart shows the total budget for DOT and includes revenues from the Highway Fund, Highway Trust Fund, and Federal Funds.

Department of Transportation (84210 and 84290 - Special Funds)	Certified FY 2009-10	Certified FY 2010-11
Highway Construction	1,493,306,625	1,530,618,687
Highway Maintenance	935,999,755	938,245,641
Powell Bill / Aid to Municipalities	129,237,779	131,726,138
Division of Motor Vehicles	131,208,208	131,331,758
Administration	159,879,062	166,309,446
Debt Service (including GARVEE)	149,897,258	161,989,037
Public Transportation	102,294,923	114,593,962
Ferry Operations	30,126,209	29,726,209
Airports Program	37,349,592	37,291,543
Rail Services	19,601,153	19,601,153
Facility Repairs	0	0
Reserves and Other	17,728,968	30,848,425
Total	\$3,206,629,532	\$3,292,281,999
Revenues (federal aid and other)	(1,050,802,587)	(1,061,575,785)
NET HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS	\$2,155,826,945	\$2,230,706,214

Other Funds

Grant Anticipation Revenue Vehicle Bonds (GARVEE)

The General Assembly authorized the issuance of GARVEE (Grant Anticipation Revenue Vehicles) bonds in 2005 (S.L. 2005-403). GARVEE bonds are revenue bonds that allow the State to pledge future federal highway funds to pay debt service on the bonds. In 2007 North Carolina issued \$299,795,869 in GARVEE bonds. The proceeds of the 2007 sale accelerated 29 construction projects and one right of way acquisition, at an average savings of 3.4 years and an estimated cost savings after debt service of \$135 million. In August 2009, the State closed its second issue of \$263,136,094. NCDOT has identified 50 projects to be funded with GARVEE bonds. The total financing of all the projects is estimated to be \$1.3 billion. Through FY 2008-09 DOT had spent \$319,202,164 of GARVEE funds on projects to improve strategic corridors across the State.

Department of Transportation

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

See Annotated Conference Report at the end of this section.

Select Programs and Other Budgetary Information

Highway Fund and Highway Trust Fund

The budget for the Department of Transportation is comprised of the Highway Fund, the Highway Trust Fund, and federal funds. Chapter 2 of the 1921 Session Laws established the Highway Fund (HF), which provides funding for road maintenance, the Division of Motor Vehicles, and other transportation programs and services. The motor fuels tax provides the majority of revenues within the Highway Fund.

The Highway Use Tax provides the majority of the revenues within the Highway Trust Fund. The General Assembly appropriates all funds; however, the Highway Trust Fund has specific requirements for expenditures prescribed within the North Carolina General Statutes. The following graphic depicts the sources and uses of funds from the Highway Fund, Highway Trust Fund, and federal funds for FY 2009-10.

Department of Transportation

Highway Fund, Highway Trust Fund & Federal Funds FY 2009-10 (\$ in Millions)

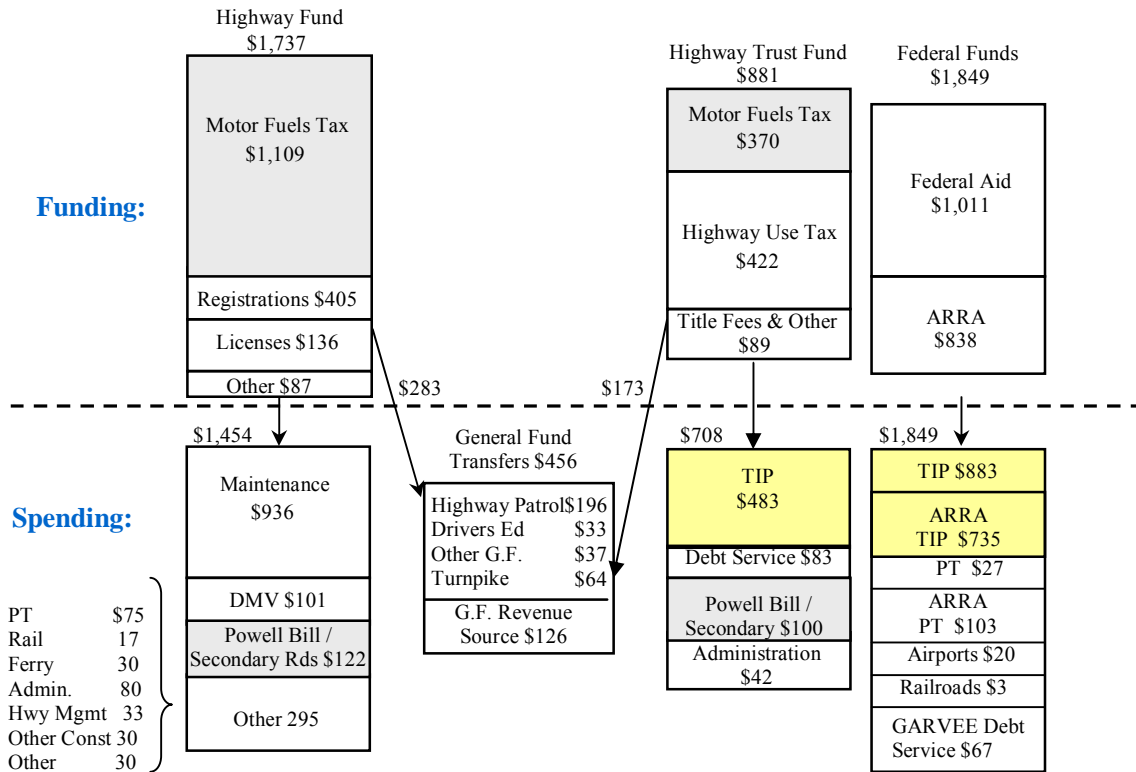


Chart abbreviations: DMV (Division of Motor Vehicles), Drivers Ed. (Drivers Education Program within the Department of Public Instruction’s budget), Other G.F. (General Fund Agencies, see listing under Highway Fund Transfers section), TIP (Transportation Improvement Program), PT (Public Transportation), and GHSP (Governor’s Highway Safety Program).

Highway Trust Fund (HTF)

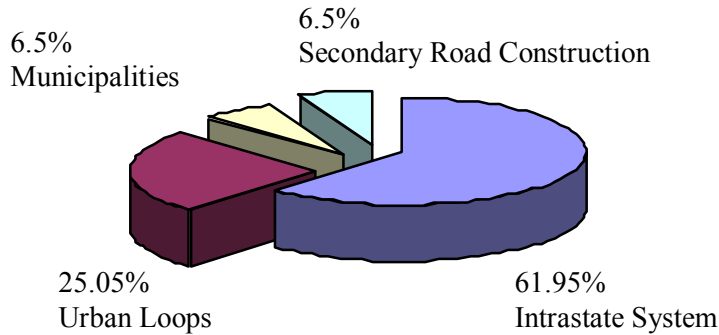
The HTF is budgeted at \$881.29 million for FY 2009-10 and \$920.99 million for FY 2010-11. The General Assembly created the HTF in 1989 (G.S. 136-176) to fund the construction of particular highway and road projects, including the Intrastate System, urban loops, and secondary roads, and to provide supplemental funding to municipalities. To provide revenues for the Highway Trust Fund, the General Assembly created a Highway Use Tax, which is currently 3 percent of a vehicle’s retail value, less trade, with a cap of \$1,000 for commercial vehicles. The Highway Use Tax replaced a 2 percent sales tax on vehicles which was capped at \$300 and deposited in the State’s General Fund. The HTF receives one-fourth of the motor fuel taxes collected plus Certificate of Title fees and certain miscellaneous fees collected by the Division of Motor Vehicles.

The HTF provides funding for the Transportation Improvement Program, a seven-year plan and schedule for construction of roads, bridges, and other capital transportation projects. G.S.136-176 requires the HTF dollars to be spent as follows: Before funds are allocated, 4.8 percent of the total funds may be used for administration of the Trust Fund; funds are transferred to the General Fund and the North Carolina Turnpike Authority (see Transfers, below) and \$15 per car title sold is dedicated to the HTF Secondary Roads Program. The

Department of Transportation

following chart and table show the HTF project allocation as prescribed in law after accounting for administration, the transfers to the General Fund and the North Carolina Turnpike Authority, and the Title fees provided for secondary roads.

Highway Trust Fund Allocation



Highway Trust Fund Appropriations (FY 2009-11)

Current Operations	FY 2009-10	FY 2010-11
Intrastate System	367,256,023	391,723,281
Urban Loops	116,655,736	127,444,319
Aid to Municipalities	41,423,903	43,885,918
Secondary Roads	58,426,789	61,908,548
Program Administration	42,234,720	44,140,320
North Carolina Turnpike Authority	64,000,000	99,000,000
Transfer to General Fund	108,561,829	72,894,864
Debt Service	82,731,000	79,992,750
TOTAL	\$881,290,000	\$920,990,000

Transfers

Highway Trust Fund

Pursuant to G.S. 105-187(b), a transfer will be made from the Highway Trust Fund to the General Fund of \$108,561,829 in FY 2009-10 and \$72,894,864 in FY 2010-11.

Also, a transfer will be made from the Highway Trust Fund to the North Carolina Turnpike Authority of \$64,000,000 in FY 2009-10 and \$99,000,000 in FY 2010-11. These funds will be used for debt service for the Triangle Expressway, the Monroe Connector/Bypass, and the Mid-Currituck Bridge.

Department of Transportation

Highway Fund

The Highway Fund provides funding to other State agencies, including:

- Department of Crime Control and Public Safety for State Highway Patrol operations;
- Department of Health and Human Services for the chemical tests for the alcohol program;
- Department of Public Instruction for the driver education program;
- Department of Revenue for tax collection and auditing;
- Department of Agriculture for gasoline pump inspections; and,
- Department of Environment and Natural Resources for the Leaking Underground Storage Tank Fund.

The table below shows the recent history of transfers to other State agencies.

Fiscal Year	Transfers
FY 2002-03	221,524,838
FY 2003-04	220,294,242
FY 2004-05	239,057,964
FY 2005-06	244,261,476
FY 2006-07	255,193,014
FY 2007-08	287,784,581
FY 2008-09	278,434,418

Additional Legislation

S.L. 2009-108 (SB 200) MINIMUM MOTOR FUELS TAX RATE OF 29.9 CENTS PER GALLON FOR TWO YEARS

This act mandates that the motor fuels tax rate not fall below 29.9 cents per gallon for the period July 1, 2009 through June 30, 2011. The motor fuels tax rate consists of a flat rate of 17.5 cents per gallon plus a variable rate that is 7 percent of the national weighted average wholesale price of gasoline and diesel fuel for a six month base period. However, the motor fuels tax rate had been capped at 29.9 cents per gallon for the previous four years.

S.L. 2009-343 (HB 1617) DOT SAVINGS/TRANSFER TPA

This act rewrites G.S. 136-182(b) and 136-182(d) to transfer the funds and functions of the North Carolina Turnpike Authority to the Department of Transportation and place the Authority under the direct supervision of the Secretary of Transportation.

Division of State Highway Patrol

G.S. 20-49 Police Authority of Division
 G.S. 20-188 Duties of Highway Patrol

Agency Description:

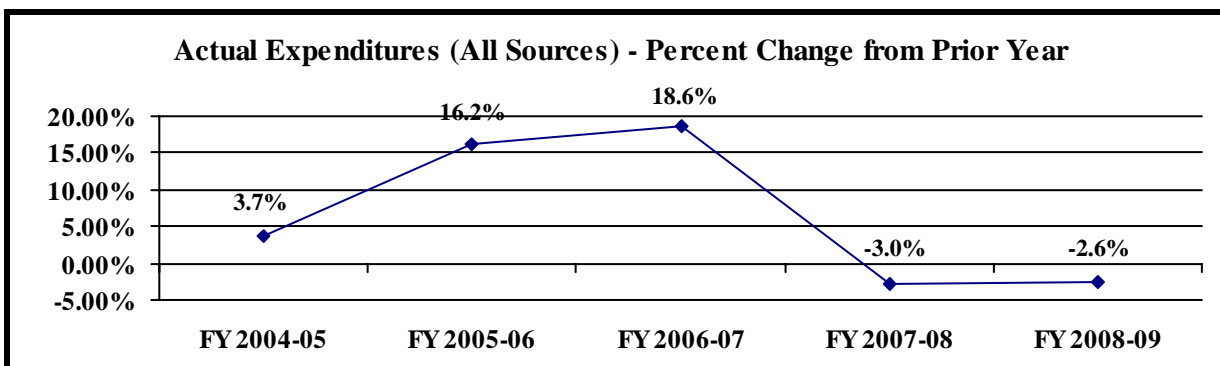
The State Highway Patrol, a division of the Department of Crime Control and Public Safety (CCPS), is responsible for patrolling the State’s 79,000 miles of highway, enforcing motor vehicle laws (including commercial vehicle operations) and assisting motorists. The SHP is also responsible for traffic management during emergencies such as hurricane evacuations and hazardous chemical spills.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Revenue	232,048,083	217,306,973	208,181,378	209,475,516
Expenditures	230,138,520	224,129,468	208,181,378	209,504,996
Fund Balance Change	\$1,909,563	(\$6,822,495)	\$0	(\$29,480)
Positions (FTE)	2,376.00	2,381.00	2,381.50	2,381.50

Budget Overview:

The SHP budget is \$208.2 million in FY 2009-10 and \$209.5 million in FY 2010-11. The FY 2009-10 budget represents a 7.1% decrease from the previous fiscal year’s actual expenditures.

The agency's budget, a special fund consisting of revenues from the Highway Fund, grants, and federal funds, does not receive a State General Fund appropriation. Expenditures have increased an average of 6.6% over the past five years due primarily to the transfer of the Motor Carrier Enforcement program from the Department of Transportation to SHP, establishment of additional trooper positions, and the construction of the Voice Interoperability Plan for Emergency Responders (VIPER).



Division of State Highway Patrol

Budget Tables

The following table provides a breakdown of the State Highway Patrol’s total operating budget. The State Highway Patrol does not receive General Fund appropriations.

State Highway Patrol (24960 - Special Fund)	Certified FY 2009-10	Certified FY 2010-11
State Highway Patrol - Operations	174,214,685	175,538,303
Motor Vehicle Enforcement	33,659,532	33,659,532
Governor's Highway Safety Program Project	12,500	12,500
Operation and Equipment Purchases	0	0
Grants, Reserves and Transfers	294,661	294,661
TOTAL	\$208,181,378	\$209,504,996
Revenue	(208,181,378)	(209,475,516)
CHANGE IN FUND BALANCE	\$0	(\$29,480)

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

See Annotated Conference Report at the end of this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 25.9 STUDY THE FEASIBILITY OF ASSESSING A FEE FOR PROVIDING TRAFFIC CONTROL BY THE STATE HIGHWAY PATROL OR THE DEPARTMENT OF TRANSPORTATION AT SPECIAL EVENTS

This provision requires the Joint Legislative Transportation Oversight Committee to study the feasibility of assessing a fee for providing traffic control services at certain special events and to report to the 2010 Regular Session of the General Assembly.

Division of State Highway Patrol

Select Programs and Other Budgetary Information

Voice Interoperability Plan for Emergency Responders (VIPER)

VIPER is a statewide voice radio communications system that will allow effective communications by all emergency responder users, including State and local public safety agencies. This system is in the construction phase and is 59 percent completed with 140 sites on the air.

Since 2005 the General Assembly has appropriated approximately \$18 million towards building the infrastructure needed to support VIPER. Additionally, the system has received \$92.8 million through federal Homeland Security Grants and other grant funds. The Criminal Justice Information Network Governing Board, which oversees this project for Department of Crime Control and Public Safety, reports that completion of this project will require an additional \$96.2 million for construction of the infrastructure. The State Highway Patrol anticipates that once the network is fully operational, the annual operational costs will be \$7.5 million per year, of which only \$2.5 million has been appropriated from the Highway Fund for recurring maintenance costs. With over half the number of sites operational and only \$2.5 million appropriated for maintenance, the VIPER statewide network is in jeopardy of not being supported properly without additional funding.

Additional Legislation

S.L. 2009-461 CCPS WRECKER SERVICE RULES

The General Assembly amended G.S. 20-188 to ensure that wrecker services listed on the State Highway Patrol rotation wrecker list agree in writing to impose reasonable fees. These fees cannot be higher than fees charged for services provided for non-rotation calls.

S.L. 2009-531 CLARIFY CLOSEST MARKET

This act amends G.S. 20-118(c)(12), which changed the distance that a farmer can transport crops from farm to market from the closest market to any market within 150 miles of that farm.

S.L. 2009-376 VARIOUS CHANGES IN MOTOR VEHICLE LAW

This act makes various changes to the motor vehicles laws. The law conforms several State commercial motor vehicle laws to federal regulations, changes the appeals process for citations issued to commercial vehicle operators, and amends G.S. 20-119 to clarify the imposition of fines for commercial vehicle operators.

Highway Fund

HIGHWAY FUND

	FY 09-10	FY 10-11
Recommended Budget	\$1,798,936,717	\$1,798,493,030

Legislative Changes

Administration

1 Update Printing Operations

\$636,000 R

Funds are provided to consolidate print operations located at the Transportation Building and the Division of Motor Vehicles. A single printing services contract will be used, incorporating mainframe and network printing services for both locations.

2 Combined Registration & Tax Collection System - Database and Implementation

Funding from receipts is provided to continue the implementation of HB 1779. Receipts will fund the development of the Statewide database, which will calculate vehicle property taxes, and to implement the outstanding components required to complete the System.

Receipts (nonrecurring)

Database: FY 2009-10 - \$1,174,232; FY 2010-11 - \$1,043,460

Implementation: FY 2009-10 - \$4,128,573; FY 2010-11 - \$7,798,424

Aviation Division

3 Aviation Funds

(\$1,128,445)	R	(\$1,125,523)	R
(\$871,555)	NR	(\$874,477)	NR

Funds for the Aviation Division are reduced to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

The total budget for the Aviation Division is \$17,349,592 in FY 2009-10 and \$17,291,543 in FY 2010-11.

Construction

4 Public Service and Access Road Funds

(\$140,000)	R	(\$140,000)	R
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Funds for public service and access road construction are reduced to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

The total budget for public service and access roads is \$1,860,000 in both years of the biennium.

FY 09-10

FY 10-11

5 Contingency Funds

(\$3,000,000) R (\$3,000,000) R

Funds for contingency construction are reduced to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

The total budget for contingency construction is \$12,000,000 in both years of the biennium.

6 Secondary Road Improvement Funds Reprogrammed to Maintenance

(\$50,497,671) NR (\$31,593,359) NR

Notwithstanding G.S.136-44.2A, a portion of FY 2009-10 and FY 2010-11 funding for the secondary roads improvement program from the Highway Fund is reprogrammed to Statewide maintenance programs to prevent further deterioration of the State highway system due to reduced transportation revenues and maintenance expenditures.

The budget for secondary road improvement is \$33,983,733 in FY 2009-10 and \$51,620,824 in FY 2010-11. (S.L. 2009-451, Sec. 25.4)

7 Small Construction Funds

(\$14,000,000) R (\$14,000,000) R

Funds for small construction are reduced to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

The total budget for small construction is \$7,000,000 in both years of the biennium.

8 Spot Safety Program

\$9,100,000 R \$9,100,000 R

Based on the Continuation Review, funding is changed from non-recurring to recurring.

Department-wide

9 Administration Cuts

(\$7,181,194) R (\$6,788,533) R

Salary and operating funds for administration of the DOT, Division of Highways, and the Division of Motor Vehicles are reduced for the biennium. The reductions are required to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium. Twenty-two and one-half vacant positions are eliminated in FY 2009-10.

(\$2,054,962) NR (\$2,051,342) NR
-22.50 -22.50

The total budget for DOT - General Administration is \$79,838,391 in FY 2009-10 and \$80,925,142 in FY 2010-11. The total budget for DOT - Highway Division Administration is \$33,339,661 in FY 2009-10 and \$33,393,855 in FY 2010-11. The total DMV budget is \$101,416,528 in FY 2009-10 and \$101,527,804 in FY 2010-11.

10 Administration Cuts - Receipts

Salary and operating funds for administration of the DOT, Division of Highways, and the Division of Motor Vehicles supported by Highway Trust Fund administration receipts are reduced for the biennium. These cuts represent the reductions identified in the Governor's budget. The reductions are required to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

Receipts are reduced \$3,814,114 in FY 2009-10 and \$2,736,189 in FY 2010-11. Eleven and one-half vacant positions are eliminated in FY 2009-10 and an additional vacant position is eliminated in FY 2010-11.

11 Vacant Positions

	(\$3,000,000)	R		(\$3,000,000)	R
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Positions vacant prior to January 1, 2009 are eliminated except for mission-critical positions as defined by the Department of Transportation. This totals 152 appropriation-supported positions and 751 field positions.

	-152.00			-152.00	
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Ferry Division

12 Implement Coast Guard Requirements for Manning of Vessels

	\$3,116,267	R		\$3,116,267	R
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US Public Law 109-241, Section 301, passed in 2006, expanded the definition of a ferry to include State-operated passenger ferries. As a result, State ferry operations are required to operate under the US Coast Guard regulations (46 USC). In order to comply with these new federal requirements, funds are provided for additional field ferry vessel personnel and rescue boats.

	\$400,000	NR			
	79.00			79.00	

Positions include 20 Ferry Oiler positions (\$33,445 each), 27 Ferry Member II positions (\$32,232 each), 27 Ferry Crew Member I positions (\$28,265 each), and 5 Marine Pipefitter and Welder positions (\$42,121 each).

The 79 positions cost \$2,512,924 in salaries and \$603,343 in benefits.

Nine rescue boats are funded at \$400,000 in FY 2009-10.

13 Ferry Funds

	(\$2,155,497)	R		(\$2,155,497)	R
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Funds for the Ferry Division are reduced to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

The total budget for the Ferry Division is \$30,126,209 in FY 2009-10 and \$29,726,209 in FY 2010-11.

Maintenance

14 Department of Corrections - Inmate Road Squads and Litter Crews

(\$2,260,000) R (\$2,260,000) R

Funds for Inmate Labor are reduced to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

Inmate labor funds from the Primary System are reduced by \$1,695,000 for a total transfer of \$7,345,000. Inmate labor funds from the Secondary System are reduced by \$565,000 for a total transfer of \$1,695,000.

15 Maintenance Funds - FY 2009-10

\$41,110,611 NR

Funds for maintenance are increased to prevent further deterioration of the State highway system. Funds are not reduced to align overall expenditures for the Highway Fund with projected revenues for FY 2009-11.

The total budget for maintenance is \$935,999,755 in FY 2009-10. Changes include:

	Adj (NR)	Total
Primary System	\$-18,951,189	\$186,055,224
Secondary System	\$-25,120,853	\$269,153,619
Contract Resurfacing	\$ 25,474,337	\$300,000,000
System Preservation	\$ 21,410,929	\$100,000,000
General Maintenance Reserve	\$ 38,297,387	\$ 80,790,912

16 Maintenance Funds - FY 2010-11

\$43,356,497 NR

Funds for maintenance are increased to prevent further deterioration of the State highway system. Funds are not reduced to align overall expenditures for the Highway Fund with projected revenues for FY 2009-11.

The total budget for maintenance is \$938,245,641 in FY 2010-11. Changes include:

	Adj (NR)	Total
Primary System	\$-18,951,189	\$186,055,224
Secondary System	\$-25,120,853	\$269,153,619
Contract Resurfacing	\$ 25,474,337	\$300,000,000
System Preservation	\$ 21,410,929	\$100,000,000
General Maintenance Reserve	\$ 40,543,273	\$ 83,036,798

OSHA

17 Workplace Safety and Health Funds

(\$52,208) R (\$52,208) R
 (\$17,403) NR (\$17,403) NR

Reduces funds for OSHA to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium.

The total transfer to OSHA is \$355,389 in both years of the biennium.

Public Transportation Division

18 Public Transportation Funds

Funding to the New Starts program is reduced.

(\$21,596,267) NR (\$20,750,267) NR

The total budget for the Public Transportation Division is \$74,947,962 in FY 2009-10 and \$75,793,962 in FY 2010-11.

Required Statutory Adjustments

19 Aid to Municipalities

\$3,332,472 R \$4,626,037 R

G.S. 136-41.1 requires an adjustment based on revised projections for motor fuels tax revenue. The total transfer is \$87,813,876 in FY 2009-10 and \$87,840,220 in FY 2010-11.

20 DENR - Leaking Underground Storage Tank Fund

\$710,000 R \$890,000 R

G.S. 119-18 requires an adjustment based on revised projections for gallons of gasoline sold. The total transfer to this trust fund is \$2,620,123 in FY 2009-10 and \$2,630,553 in FY 2010-11.

Reserves

21 Retirement System Contribution

\$1,000,000 R \$7,400,000 R

Employer contributions to the retirement system are increased to maintain the System's actuarially sound status.

22 Salary Adjustment Fund

(\$3,922,758) R (\$3,922,758) R

Recurring funds available for salary adjustments are eliminated for the 2009-11 biennium.

State Highway Patrol

23 SHP - Establish Management Flexibility Reserve

(\$5,578,242) R (\$5,608,242) R

Establishes a management flexibility reserve to provide the State Highway Patrol with the flexibility to manage additional reductions totaling \$5,578,242 in FY 2009-10 and \$5,608,242 in FY 2010-11.

The total transfer to the State Highway Patrol is \$195,548,672 in FY 2009-10 and \$196,842,800 in FY 2010-11.

24 SHP - Operating Cuts

(\$2,253,000) R (\$2,253,000) R

Funding for various operating accounts are reduced across the agency.

(\$1,500,000) NR (\$1,450,000) NR

25 SHP - Freeze Step Increase for Troopers

The step increase for the salaries of Troopers are frozen for both years of the biennium.

(\$1,674,280) NR (\$3,373,932) NR

26 SHP - Eliminate Continuation Budget Increases

(\$2,832,607) R

(\$2,647,712) R

Eliminates additions included in the Continuation Budget.

	FY2009-10	FY2010-11
531321 Contractual Staff	\$77,825	\$77,825
531411 Overtime	\$400,000	\$400,000
531421 Holiday Pay	\$140,000	\$140,000
531431 Shift Premium	\$470,000	\$470,000
531572 Unemployment Comp	\$ 20,000	\$ 20,000
531631 Workers Comp Med	\$726,000	\$541,105
531632 Workers Comp Disab	\$222,468	\$222,468
532170 Admin Services	\$150,000	\$150,000
532199 Misc Contract Serv	\$626,314	\$626,314

Transfers

27 State Health Plan

\$6,170,022 R

\$12,888,386 R

Provides additional funding to continue non-contributory health benefit coverage for enrolled active and retired employees supported by the Highway fund for the biennium as appropriated in S.L. 2009-16. Funding appropriated in FY 2009-10 is equal to \$6,170,022 and \$12,888,386 in FY 2010-11. These appropriations correspond to an annual 8.9% premium increase in non-contributory premium rates for the fiscal year beginning July 1, 2009, and an additional annual premium increase of 8.9% for the fiscal year beginning July 1, 2010.

28 Continuation Review of the Drivers Education Program

(\$33,959,859) R

(\$33,321,964) R

Changes the funding for the Drivers Education Program located in the Department of Public Instruction. Restoration of FY 2010-11 funds is subject to findings of the Continuation Review.

\$33,959,859 NR

29 DPI - Drivers Education Program

Funds for the Drivers Education Program are reduced to align overall expenditures for the Highway Fund with projected revenues for the FY 2009-10. The total transfer is \$32,859,859.

(\$1,100,000) NR

30 North Carolina Global TransPark Authority

(\$320,000) R

(\$320,000) R

Funds for the Global TransPark Authority are reduced to align overall expenditures for the Highway Fund with projected revenues for the FY 2009-11 biennium. The total transfer is \$1,280,000.

31 Department of Health and Human Services

(\$150,000) R

(\$150,000) R

Funds for the Chemical Test Program are reduced to align overall expenditures for the Highway Fund with projected revenues for the 2009-11 biennium. The total transfer is \$559,719.

Total Legislative Changes	(\$58,505,049)	R	(\$42,088,747)	R
	(\$3,841,668)	NR	(\$16,754,283)	NR
Total Position Changes		-95.50		-95.50
Revised Budget	\$1,736,590,000		\$1,739,650,000	

Highway Trust Fund

HIGHWAY TRUST FUND

	FY 09-10	FY 10-11
Recommended Budget	\$1,014,750,000	\$1,057,460,000
Legislative Changes		
Highway Trust Fund		
32 Transfer to General Fund		
Reduces transfer to General Fund in FY 2010-11 to \$2,513,691 in accordance with G.S. 105-187.9(b)2.		(\$319,212) NR
33 Administration		
Reduces funds for administration to \$42,234,720 in FY 2009-10 consistent with new revenue estimates and statutory formula.	(\$6,367,680) NR	(\$6,512,160) NR
34 Aid to Municipalities		
Reduces funds for Aid to Municipalities to \$41,423,903 for FY 2009-10 consistent with new revenue estimates and statutory formula.	(\$8,203,784) NR	(\$8,364,162) NR
35 Intrastate System		
Reduces funds for the Intrastate System to \$367,256,023 for FY 2009-10 consistent with new revenue estimates and statutory formula.	(\$78,188,369) NR	(\$79,716,899) NR
36 Secondary Road Construction		
Reduces funds for the Secondary Road construction program to \$58,426,789 for FY 2009-10 consistent with new revenue estimates and statutory formula.	(\$9,084,047) NR	(\$9,323,373) NR
37 Urban Loops		
Reduces funds for the Urban Loops to \$116,655,736 for FY 2009-10 consistent with new revenue estimates and statutory formula.	(\$31,616,120) NR	(\$32,234,194) NR
Total Legislative Changes	(\$133,460,000) NR	(\$136,470,000) NR
Total Position Changes		
Revised Budget	\$881,290,000	\$920,990,000

Turnpike Authority

Budget Code: 64208

	FY 2009-10	FY 2010-11
Beginning Unreserved Fund Balance	\$0	\$0
Recommended Budget		
Requirements	\$5,980,603	\$5,980,603
Receipts	\$5,980,603	\$5,980,603
Positions	24.00	24.00

Legislative Changes

Requirements:

Administration - Receipts	(\$569,925) R	(\$413,826) R
Salary and operating funds available for administration of the Turnpike Authority supported from the Highway Trust Fund administration receipts are reduced for the biennium. The reductions are required to align overall expenditures for this receipt account with projected revenues for the 2009-2011 biennium.	\$0 NR	\$0 NR
	0.00	0.00
Subtotal Legislative Changes	(\$569,925) R	(\$413,826) R
	\$0 NR	\$0 NR
	0.00	0.00

Receipts:

Administration - Receipts	(\$569,925) R	(\$413,826) R
Salary and operating funds available for the administration of the Turnpike Authority supported from the Highway Trust Fund administration receipts are reduced for the biennium. The reductions are required to align overall expenditures for this receipt account with anticipated revenues for the 2009-2011 biennium.	\$0 NR	\$0 NR
Subtotal Legislative Changes	(\$569,925) R	(\$413,826) R
	\$0 NR	\$0 NR

	FY 2009-10	FY 2010-11
Revised Total Requirements	\$5,410,678	\$5,566,777
Revised Total Receipts	\$5,410,678	\$5,566,777
Change in Fund Balance	\$0	\$0
Total Positions	24.00	24.00
Unappropriated Balance Remaining	\$0	\$0

Special Provisions

2009 Session: SB 202

Department: Transportation

Section: 25.1

Title: Cash Flow Highway Funds and Highway Trust Fund Appropriations

Summary This is a boilerplate provision that allows DOT to contract for payments beyond the biennium.

Section: 25.2

Title: Modify Global Transpark Debt and Require Global Transpark to Report on Anticipated Repayment Schedule

Summary Extends the deadline for Global TransPark repayment to the Escheat Fund from October 1, 2009 to October 1, 2011. Requires Global TransPark to report on its strategic, business, and financial plans.

Section: 25.3

Title: Small Construction and Contingency Funds

Summary Provides seven million dollars in each fiscal year for small construction projects and twelve million dollars in each fiscal year for rural or small urban highway improvements and related transportation enhancements.

Section: 25.4

Title: Use Portion of Secondary Road Improvement Funds for Highway Maintenance In Fiscal Years 2009-2010 and 2010-2011

Summary Notwithstanding the provisions of G.S. 136-44.2A, reduces Highway Fund appropriation for secondary road improvement and increases the appropriation for highway maintenance.

Section: 25.6

Title: Allow The Department of Transportation to Require Facilities Constructed Within Rights-of-Way to Be Constructed from Permeable Pavement

Summary The Department of Transportation must determine whether certain projects within rights-of-way must be constructed of permeable pavement.

Section: 25.7

Title: Flexible Use of Funds for Rural Public Transportation for Fiscal Years 2009-2010 and 2010-2011

Summary Provides flexibility for the DOT Public Transportation Division to transfer funding from the consolidated capital program of its rural funding programs for vehicles, technology and facilities to the operating programs to leverage federal funds.

Section: 25.8

Title: **Department of Transportation May Take Required Administrative Reduction From Additional Administrative Budgets**

Summary Clarifies that an administrative budget reduction required by S.L. 2008-107 may be taken from additional administrative budgets.

Section: 25.9

Title: **Study The Feasibility of Assessing A Fee for Providing Traffic Control By The State Highway Patrol or The Department of Transportation At Special Events**

Summary Requires the Joint Legislative Transportation Oversight Committee to study the feasibility of assessing a fee for providing traffic control services at certain special events and to report to the 2010 Regular Session of the General Assembly.

2009 Session: HB 836

Department: Transportation

Section: 20

Title: **DMV Call Center**

Summary This section authorizes the Division of Motor Vehicles (DMV) to replace the current out-of-state contractors handling questions from service station operators about the State's emissions program with State employees at an existing DMV call center. DMV can create up to 15 new receipt-supported positions to replace the current out-of-state contractors.

Salaries and Benefits

Committee Summary:

The Senate and House Appropriations/Base Budget Committees address statewide appropriations for compensation and benefits as a full committee based on recommendations from the Chairs of the respective Appropriations Committees. This section highlights the General Assembly’s 2008 Session actions to fund across-the-board compensation increases and to adequately finance various benefit systems that serve active and retired employees of State agencies, universities, local public schools, and local community college systems. The primary benefit systems described are the Teachers’ and State Employees’ Retirement System (TSERS) and the Teachers’ and State Employees’ Comprehensive Major Medical Plan (State Health Plan). In addition, there are several smaller State-managed retirement systems for elected judicial and legislative officials, as well as pension funds for fire and rescue squad workers and the National Guard.

Committee Membership:

Rep. Henry “Mickey” Michaux, Senior Chair
Rep. Alma Adams, Chair
Rep. Martha Alexander, Chair
Rep. James Crawford, Chair
Rep. Phillip Haire, Chair
Rep. Maggie Jeffus, Chair
Rep. Joe Tolson, Chair
Rep. Douglas Yongue, Chair

Sen. Charles W. Albertson, Chair
Sen. Linda Garrou, Chair
Sen. A.B. Swindell, Chair
Sen. Charlie S. Dannelly, Chair

Staff:

Mark Trogdon, Team Leader
Marshall Barnes
Stanley Moore

*Additional Funds appropriated for Salaries, Retirement, and the State Health Plan are reflected in the "Statewide Reserves" section.

Salaries

G.S. 126, Art. 1, State Personnel System Established

State Funded Compensation and Across-the-Board Compensation Increases

The State provides funding for salaries and salary increases for employees of State agencies and universities and a majority of the personnel employed by local public schools and local community colleges. The General Fund payroll base is estimated to exceed \$11.2 billion for FY 2009-10. Total payroll is expected to exceed \$15.8 billion, including receipts from State agencies, universities, local public schools, and local community colleges.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 26.1A PUBLIC EMPLOYEE SALARIES

Subsection 26.1A.(a) freezes the salaries of those officers and employees, whose salaries for FY 2008-09 were set or increased in S.L. 2008-107. The officers and employees affected include the Governor and members of the Council of State, nonelected department heads, certain executive branch officials, judicial branch officials, clerks of Superior Court, assistant and deputy clerks of court, magistrates, General Assembly Principal Clerks, sergeant-at-arms and reading clerks, legislative employees, community college personnel, University of North Carolina employees exempt from the State Personnel Act, most State employees, public school central office and noncertified personnel. In addition, this subsection provides the following exceptions to the salary freeze:

- 1) Chairman of the Employment Security Commission, whose salary was reduced during FY 2008-09 in accordance with Section 29.20A of S.L. 2005-276.
- 2) Community College faculty, as otherwise provided by the Community College Faculty Salary Plan, Section 8.1 of S.L. 2009-451.
- 3) University of North Carolina faculty, as otherwise provided by the Faculty Recruiting and Retention Fund or the Distinguished Professors Endowment Fund, or retention adjustments funded from available non-State funding sources (See also S.L. 2009-575, Section 21).
- 4) Reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze (all other salary increases are prohibited).

Subsection 26.1A.(b) freezes the automatic salary step increases for assistant and deputy clerks of superior court and magistrates for the 2009-11 Biennium.

Subsection 26.A.(c) freezes the automatic salary step increases for members of the highway patrol for the 2009-11 Biennium.

Subsection 26.A.(d) makes clear that the salary freeze also applies to members and officers of the General Assembly and that those salaries shall remain the same amounts as set under G.S. 120-3 in 1994 by the 1993 General Assembly.

Salaries

Section 26.14A. LIMIT BANKING COMMISSION EMPLOYEE BONUSES

This section prohibits the awarding of compensation bonuses to employees of the Office of the Commissioner of Banks during the 2009-11 Biennium, notwithstanding the provisions of G.S 53-96.1.

Section 26.14B. REDUCTIONS IN FORCE NECESSITATED BY THE EXTREME FISCAL CRISIS

This section states the General Assembly's findings on the fiscal crisis facing the State and the corresponding reductions necessitated by the crisis. The findings include a statement of substantially reduced State revenue projections for the 2009-11 Biennium, the necessity to effect reductions in State expenditures and maximize efficiencies in order to enact a balanced budget, and the necessity to eliminate both filled and vacant positions, through reductions in force, in order to continue the effective administration of governmental functions.

Section 26.14D. REDUCTION IN FORCE/EXTEND STATE EMPLOYEE PRIORITY RIGHTS

This provision extends the reemployment priority consideration rights afforded to State employees under G.S. 126-7.1(c1) for an additional 12-month period during the 2009-11 Biennium.

Section 26.14E BENEFITS PROTECTION FOR FURLOUGHED STATE GOVERNMENT EMPLOYEES AND PUBLIC SCHOOL PERSONNEL

This section provides protections for public employees who are subject to furloughs to accomplish economies specifically required by S.L. 2009-451 (the Current Operations and Capital Improvement Appropriations Act of 2009) and holds harmless public employees as to their retirement and other benefits that normally accrue as a result of employment. This section does not authorize furloughs but simply provides protections for public employees in the event furloughs are ordered or authorized by the Governor, the Chief Justice, the Legislative Services Commission, the Board of Governors of the University of North Carolina, the Board of the North Carolina Community College System, or a local school board. In addition, this section requires the appropriate officer or entity to report certain information regarding any ordered or authorized furlough to the State Treasurer, the Director of the Retirement Systems Division, and the Executive Administrator of the State Health Plan.

Section 26.15 TEACHER SALARY SCHEDULES

This provision freezes teacher salaries by enacting a teacher salary schedule for FY 2009-10 that shifted salaries forward one step. As this is an experience based schedule, teachers earning an additional year of experience will move up one step on the schedule. However, teachers will not receive the normal salary step increase as the monthly salary amounts were shifted forward. In addition, language was enacted that prohibits teachers, who did not work the required number of months to acquire an additional year of experience, from receiving a decrease in salary as otherwise would be required by the modified salary schedule.

Section 26.16 SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE

This section freezes school based administrator salaries by enacting a school based administrator salary schedule for FY 2009-10 that shifted salaries forward one step. As this is an experience based schedule, school based administrators earning an additional year of

Salaries

experience will move up one step on the schedule. However, school based administrators will not receive the normal salary step increase as the monthly salary amounts were shifted forward. In addition, language was enacted that prohibits school based administrators, who did not work the required number of months to acquire an additional year of experience and who are employed during the 2009-10 school year in the same classification, from receiving a decrease in salary as otherwise would be required by the modified salary schedule. Lastly, language was enacted that prohibits a principal, who acquires an additional step (principals receive an additional step for every three years of experience as a principal) during the 2009-10 or 2010-11 school years from receiving a corresponding increase in salary during the 2009-11 Biennium. Please also see S.L. 2009-450 which corrects an error in the School Based Administrator Salary Schedule included in S.L. 2009-451.

Section 26.16A ALL COUNTIES TO COMPLY WITH THE "SEND-IN" PAYROLL ARRANGEMENT PROVISIONS FOR THE PAYMENT OF THE LOCAL SALARIES OF NORTH CAROLINA COOPERATIVE EXTENSION PERSONNEL

This provision directs all counties that employ North Carolina Cooperative Extension personnel in conjunction with the North Carolina Cooperative Extension Service at North Carolina State University (NCSU) or the North Carolina Cooperative Extension Program at North Carolina Agricultural and Technical State University (North Carolina A & T) to comply with the "send-in" payroll arrangement provisions established by NCSU and North Carolina A & T effective January 1, 2011 regardless of any prior agreement, memorandum of understanding, or individual election of North Carolina extension personnel. This section also prohibits counties from furloughing or reducing the local portion of salaries paid to North Carolina Cooperative Extension personnel.

Additional Legislation

S.L. 2009-26 (HB 917) IMPLEMENT EXEC. ORDER #11/PROTECT EMPLOYEES

This act implements Governor Perdue's Executive Order Number 11 that established and implemented a flexible furlough plan for FY 2008-09. This flexible furlough plan consisted of a .5 percent (1/2 of 1 percent) reduction in the annualized base salaries of covered employees and the award of 10 hours of paid flexible furlough leave for all full-time employees, prorated for employees employed less than full-time. The Office of State Budget and Management initially estimated the flexible furlough savings at \$65 to \$70 million.

The act extended the reductions in pay to employees of the legislative and executive branches excepting those justices, judges, and officers whose salaries are protected from reduction by Article III, Section 9 and Article IV, Section 21 of the North Carolina Constitution. However, the act encouraged those constitutionally exempt persons to participate in the salary reduction by donating at least the amount of compensation that would have been reduced had they not been exempt. In addition, the act extended the reductions in pay to employees of local boards of education who are paid from local funds. The act also holds affected employees harmless for retirement purposes by providing that retirement average final compensation will not be diminished and by providing that the public agency will pay both the employee and employer contributions to the Retirement Systems Division or to the appropriate Optional Retirement Plan carrier.

Salaries

S.L. 2009-63 (HB 1221) DEVELOP STATE EMPLOYEE BENEFITS STATEMENT

This act directs the Office of State Personnel, Department of Public Instruction, North Carolina Community Colleges, and the University of North Carolina to study the development of an employee benefits statement that reflects the current value of an employee's total compensation including all cash income and the value of other benefits. Other benefits must include at least the value of employee and dependent coverage under the State Health Plan for Teachers and State Employees and employee and survivors coverage under the Teachers' and State Employees' Retirement System. An interim report to the General Assembly and the Fiscal Research Division is required by December 31, 2009 with a detailed written report required by June 30, 2010.

S.L. 2009-144 (HB 482) REINSTATEMENT OF SICK LEAVE/SCHOOL EMP'EEES [sic]

This act directs the State Board of Education to adopt rules relative to the reinstatement of unused sick leave by extending the reinstatement period under current policy by an additional three months when an employee who was employed on a 10-month contract at the time of separation returns to employment on a 10-month contract.

S.L. 2009-450 (HB 1172) SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE

This act rewrites Section 26.16 of S.L. 2009-451 (the Current Operations and Capital Improvement Appropriations Act of 2009) to correct the base salary schedule for school based administrators.

S.L. 2009-574 (HB 945), THE STUDIES ACT OF 2009

This act authorizes various studies as directed by the Legislative Research Commission and other committees or commissions.

Part II. Legislative Research Commission may study:

Section 2.60. Issues related to the duration of Temporary Total Disability compensation under the Workers Compensation Act (S.B. 975 and H.B. 1022).

Section 2.70. Rules and policies for the voluntary shared leave program that will permit the donation of sick leave to a non-family member recipient for State employees subject to the State Personnel Act, public school employees, and community college employees (S.B. 352 and H.B. 213).

Part XII. Legislative Ethics Commission to Study Compensation for Elected State Officials (S.B. 292).

Section 12.1. The Legislative Ethics Commission is authorized to study the relationship of all forms of compensation for the duties of members and officers of the General Assembly, examining compensation paid to other elected officials in North Carolina and other states.

S.L. 2009-575 (HB 836) MODIFY APPROPRIATIONS ACT

This act amends S.L. 2009-451 to add a new section, Section 7.43(a), directing the Joint Legislative Education Oversight Committee to develop a plan to restructure the North Carolina Teacher Salary Schedule. The committee is required to report on the Plan to the General Assembly no later than September 30, 2010.

The act also rewrites Section 26.1A.(a) to also permit retention adjustments funded from available non-State funding sources for University of North Carolina faculty.

Salaries

State Position Summary

The following table provides an estimate of total State positions (full-time equivalents) as of December 2008. At the time of this publication, this data was being updated.

**State of North Carolina
Full-time Equivalent Position Counts
December 2008**

	<u>General Fund¹</u>	<u>Highway Fund²</u>	<u>Other Funds⁵</u>	<u>Total</u>
State Government				
UNC System ³	37,330	0	23,887	61,217
Justice and Public Safety	31,947	2,328	1,212	35,486
Health and Human Services	19,237	10	877	20,124
Transportation	0	14,739	28	14,767
Natural and Economic Resources	5,314	151	2,574	8,039
General Government	5,117	104	1,706	6,927
Education (State Administration)	972	0	12	984
Subtotal	99,916	17,332	30,296	147,543
Local Education				
Public Schools ^{3 & 4}	162,459	64	0	162,522
Community Colleges ³	17,027	0	0	17,027
Subtotal	179,486	64	0	179,549
Total by Fund	279,402	17,395	30,296	327,093

Source: Survey of State Agencies and Other State-funded institutions, Fiscal Research Division, NC General Assembly, Office of State Budget and Management, December 2008

¹Salary Base includes 183 positions in agency operating reserves.

²Includes 5,868 work order positions funded out of construction and maintenance line-items.

³Includes FTE growth due to projected enrollment growth for the 2009-10 fiscal year.

⁴Includes some non-FTE counts that may slightly overstate the overall total position count.

⁵Includes Enterprise, Internal Service, Institutional, Special, and Trust Funds.

Salaries

Historical Salary Statistics

Ten-Year Legislative Increase History

Fiscal Year	State Employees	Teachers
2000-01	2.2% COLA + 2% career growth + \$500 Compensation Bonus	2.5%-13.8%
2001-02	\$625	1.0% to 6.92% (2.86% average)
2002-03	\$0	0.0% to 5.85% (1.84% average)
2003-04	\$0	1.42% to 5.86% (1.81% average)
2004-05	Greater of \$1,000 or 2.5% across-the-board increase	1.41% to 5.90% (2.5% average)
2005-06	Greater of \$850 or 2.0% across-the-board increase	1.77% to 6.27% (2.24% average)
2006-07	5.5% across-the-board increase	6.45% to 14.05% (8.23% average)
2007-08	4.0% across-the-board increase	4.05% to 9.53% (5.0% average)
2008-09	Greater of \$1,100 or 2.75% across-the-board increase	2.39% to 6.63% (3.0% average)
2009-10	\$0	\$0

Salaries

Average Salary of Employees Subject to the Personnel Act

Fiscal Year	Average Salary¹
1998-99	30,332
1999-00	31,385
2000-01	32,803
2001-02	33,474
2002-03	33,556
2003-04	33,854
2004-05	35,151
2005-06	36,691
2006-07	38,743
2007-08	40,283
2008-09	41,769

¹ The average salary figures include all permanent SPA employees at a particular point in time. During these years, new programs were added and SPA coverage was extended to positions previously exempt. When new positions were added at salaries above or below the average, this resulted in an increase or decrease in average salary levels. **Therefore, changes in average salaries are not necessarily measures of salary increases authorized by the General Assembly.**

Across-the-Board Salary Cost for each 1% Increase (\$ in Millions)

Fiscal Year	General Fund	Highway Fund
1996-97	\$ 66.77	\$3.98
1997-98	\$ 70.22	\$4.19
1998-99	\$ 75.33	\$4.64
1999-00	\$ 80.69	\$4.00
2000-01	\$ 86.45	\$4.33
2001-02	\$ 89.73	\$4.32
2002-03 ¹	\$ 91.05	\$4.19
2003-04 ²	\$ 91.35	\$4.15
2004-05	\$ 95.13	\$4.37
2005-06	\$100.61	\$4.56
2006-07	\$106.89	\$4.79
2007-08	\$117.08	\$5.11
2008-09	\$124.93	\$5.37
2009-10 ³	\$130.65	\$5.54

¹ No across-the-board salary increases were funded by the General Assembly for employees in FY 2002-2003 except for the salary step increases funded for teachers and school-based administrators.

² No across-the-board salary increases were funded by the General Assembly for employees in FY 2003-2004 except for the salary step increases funded for teachers and school-based administrators and a one-half percent (.5%) average salary increase for Community College faculty and professional staff.

³ No across-the-board salary increases were funded by the General Assembly for employees in FY 2009-10. Teacher and school-based administrator salary step increases were also frozen as were automatic step increases for assistant and deputy clerks of court, magistrates, and members of the highway patrol.

Retirement

- G.S. 58, Art. 86, Firemen’s and Rescue Squad Workers’ Pension Fund
- G.S. 120, Art. 1A, Legislative Retirement System
- G.S. 127A, Art. 3, National Guard
- G.S. 135, Art. 1, Retirement System for Teachers and State Employees
- G.S. 135, Art. 5, Supplemental Retirement Income Act of 1984
- G.S. 135, Art. 4, Consolidated Judicial Retirement Act
- G.S. 135, Art. 6, Disability Income Plan of North Carolina

State Retirement Systems:

The State operates several retirement systems for public employees. The Teachers’ and State Employees’ Retirement System has the largest membership and assets of all the retirement systems and provides benefits to all employees of State agencies, departments, universities, local public schools, and local community colleges. As of December 31, 2008, the System had 325,618 members and paid retirement benefits of \$3.1 billion annually to 151,353 beneficiaries. The System’s market value of assets was \$45.6 billion as of December 31, 2008. The System uses a smoothing method for valuation purposes that recognizes 20 percent of the difference between market value and assumed actuarial value of assets to account for fluctuations in the market value of assets over time. Therefore, the System recognized assets of \$55.1 billion and is 99 percent funded as of December 31, 2008 (i.e., \$.99 in assets for each \$1.00 of liabilities).

The General Assembly appropriates funds to increase employer retirement contributions to a reserve administered by the Office of State Budget and Management (OSBM). After enactment of the budget, OSBM allocates these funds to State agencies, departments, universities, local public schools, and local community colleges to pay the increased employer contributions to the Department of State Treasurer, which administers the various retirement systems.

Significant Legislative Budget Actions

The General Assembly enacted the following additional recurring General Fund and Highway Fund appropriations to the various retirement system or funds:

Appropriations (Recurring)	FY 2009-10	FY 2010-11
General Fund for State Retirement System	21,000,000	160,000,000
Highway Fund for State Retirement System	1,000,000	7,400,000
General Fund for Firemen and Rescue Squad Workers’ Pension	317,863	317,863
General Fund for Judicial Retirement System	1,300,000	1,300,000
TOTAL	\$23,617,863	\$169,017,863

The amount of budgeted receipts of employing agencies used to pay employer retirement system contributions for receipt-funded positions may be increased to pay the additional employer contributions authorized by the General Assembly.

Retirement

Significant Special Provisions

Section Law 2009-451 Senate Bill 202

Section 26.20 SALARY-RELATED CONTRIBUTIONS/EMPLOYER

This section sets the contribution rates for the various retirement systems for FY 2009-10 and FY 2010-11. The contribution rate for FY 2009-10 to the Teachers' and State Employees' Retirement System is 3.57 percent of payroll for retirement, 0.52 percent of payroll for the Disability Income Plan, 0.16 percent of payroll for the Death Benefit and 4.50 percent of payroll for retiree health benefits. The contribution rate for FY 2010-11 to the Teachers' and State Employees' Retirement System is 4.93 percent of payroll for retirement, 0.52 percent of payroll for the Disability Income Plan, 0.16 percent of payroll for the Death Benefit and 4.90 percent of payroll for retiree health benefits.

Section 26.21 NATIONAL GUARD PENSION FUND

This section amends G.S. 127A-40(f), transferring the appropriation for the National Guard Pension Fund from the Department of Crime Control and Public Safety to the Department of State Treasurer.

Section 26.22 EXTEND PHASED RETIREMENT PROGRAM EXEMPTION

This section extends the exemption from the six-month waiting period before returning to employment for the University of North Carolina Phased Retirement Program. This allows instructors who are retiring, to apply to participate and if approved, to continue to teach for a maximum of three years without any break in service and earn up to 50 percent of their salary prior to retirement.

Additional Legislation

S.L. 2009-11 (HB 94) DEFINITION OF RETIREMENT

This act amends G.S. 135-1(20), the definition of the term "Retirement", to clarify that service as an unpaid bona fide volunteer in a public school during the six months following retirement is not considered service for purposes of the Teachers' and State Employees' Retirement System.

S.L. 2009-66 (HB 642) RETIREMENT SYSTEMS TECHNICAL CORRECTIONS

This act, the Retirement Systems Division's agency bill, makes clarifying changes in the laws governing the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Local Governmental Employees' Retirement System, the Firemen's and Rescue Workers' Pension Fund, and the National Guard Pension Fund. The omnibus changes are as follows:

Section 1 allows a non-spouse beneficiary to directly roll over to an Individual Retirement Plan any portion of a distribution, payable on account of a deceased member of the State, Judicial, Local or Legislative Retirement Systems.

Section 2 removes language allowing certain fire departments to participate in the Local Retirement System from the definition of "employer" based upon an unfavorable private letter ruling from the IRS. This section also changes the Firemen's and Rescue Squad

Retirement

Workers' Pension Fund to modify roster & money deadlines, to include deadlines for the payment of monthly contributions, to modify conditions surrounding the purchase of prior service, to provide payment of contributions made by or on behalf of the member to a beneficiary, and to remove the \$25 administrative fee associated with members withdrawing from the fund.

Section 3 corrects oversights in prior legislation changing the timeframe of filing an application for retirement in both the State and Local Retirement Systems. The prior change extended the application filing period from 90 days to 120 days.

Section 4 substitutes form number(s) instead of name(s) of the forms for the application for retirement and the election of option.

Section 5 makes the following changes:

(1) Provides for the payment of benefits from the State System or Local System if a member dies (i) after the effective date of retirement, (ii) following receipt by the Board of Trustees of an election of benefits form and (iii) before the first benefit check is cashed. In these cases, the retirement benefit is payable in accordance with the member's election of option.

(2) Provides for the payment of benefits from the State System or Local System if a member dies after the effective date of retirement but prior to completion of the election of benefits form. If an election of benefits has not been made and only one beneficiary has been named, then that beneficiary could select the retirement option. If more than one beneficiary has been named, then the administrator of the estate could make the election.

(3) Allows terminal payouts (unused vacation time and bonus leave) to be applied to the month prior to the month of death in calculation of the average final compensation in cases when members qualify for the Survivor's Alternate Benefit (SAB). The SAB is payable to a member's sole beneficiary when an active member dies with at least 20 years of service.

Section 6 makes changes related to the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, to give more rights to members called into military service in the Reserves or National Guard while serving as an active state or local government employee.

Section 7 changes omitted salary calculation in the State and Local Retirement Systems laws to also apply to beneficiaries, not just members.

Section 8 modifies return-to-work statutory provisions to require employers in the State and Local Retirement Systems to report information on rehired retirees, along with the nature of their reemployment and amount of compensation. It also provides a time frame for reporting this information with penalties assessed if requirements aren't met.

Retirement

Section 9 increases the joint and survivor benefit payment from 50 percent to 100 percent to the beneficiary in circumstances where a member who has applied for disability but dies before the effective date of retirement. This applies only to the State Retirement System.

Section 10 changes the National Guard Pension Fund to provide payment in the month of a retiree's death, consistent with all the other retirement systems.

Section 11 adds the phrase “electronic submission in a form approved by the Board of Trustees or by” in front of “written designation duly acknowledged” to allow members to change beneficiaries online. Electronic submission would only be available to those with less than 10 years of service to reduce fraud for more substantial accounts and older individuals.

Section 12 adds the phrase “electronic submission or” in front of “written application” to allow members to file for retirement on-line.

S. L 2009-109 (SB 411) AMEND SURVIVOR’S ALTERNATE BENEFIT

This act amends G.S. 135-5(m) governing the Teachers' and State Employees' Retirement System and G.S. 128-27(m) governing the Local Governmental Employees' Retirement System to allow the beneficiary of a law enforcement officer who had at least 15 years of service and who was killed in the line of duty to elect the survivor's alternate benefit. The survivor's alternate benefit is determined by computing the amount the beneficiary would have received if the member had retired and selected a 100 percent joint and survivor option providing a reduced monthly benefit throughout the life of the beneficiary.

S. L 2009-137 (SB 204) RETIRED NURSES RETURN TO WORK

This act amends G.S. 135-3(8)c. to remove restrictions on the amount of post-retirement earnings for any retiree of the Teachers' and State Employees' Retirement System who is employed in a permanent full-time or part-time capacity, that exceeds fifty percent of the normal workweek, as a nursing instructor in a certified nursing program for a maximum period of three years. To qualify, a nursing instructor must have been retired for at least six months and not have been employed in any capacity with a community college or State-supported university in the six months immediately preceding the return to employment. Each community college or university is to pay 11.7 percent of the instructor's salary to the Retirement System to fund the cost. In order for future retirees to return with no earning restriction, the retiree must have retired after July 1, 2009 after attaining (i) age 65 with 5 years of service, (ii) age 60 with 25 years of service or (iii) 30 years of creditable service and meet the other requirements described above.

The act requires that the community college or university certify to the Retirement System that they have a shortage of qualified nursing instructors before they can rehire a retiree. The bill also provides additional criteria regarding the efforts to fill a position with a qualified nursing instructor who is not retired.

The act further directs the North Carolina Community College System and the University of North Carolina to make a written report to the General Assembly by January 1, 2011, on the effectiveness of these provisions in addressing the shortage of qualified nursing instructors.

Retirement

S.L. 2009-148 (SB 390) MIDLAND RETIREMENT

This act allows the Town of Midland to participate in the Local Governmental Employees' Retirement System without providing any prior service credits to its employees and thereby not requiring the Town to pay for any prior service credits.

S.L. 2009-249 (SB 389) HOUSING AUTHORITY RETIREMENT

This act allows the City of Charlotte Housing Authority and Robeson County Housing Authority to participate in the Local Governmental Employees' Retirement System without providing any prior service credits to its employees and thereby not requiring these employers to pay for any prior service credits.

S. L 2009-365 (HB 1073) FIRE AND RESCUE PENSION CHANGES

This act allows members of the Firemen's and Rescue Squad Workers' Pension Fund, with five or more years of contributing service and who withdraw from the Fund, to receive both money contributed by the member directly and money contributed on behalf of the member.

S. L 2009-378 (SB 658) MODIFY SUPPLEMENTAL RETIREMENT BOARD/FURLOUGHS

This act modifies the membership of the Supplemental Retirement Board of Trustees to direct that one of the Governor's appointees be a retired State or local governmental employee.

The act also provides that a member of the Local Governmental Employees' Retirement System who is furloughed shall be entitled to the same retirement benefits the member would have been entitled to had the furlough not occurred. An employer who opts for this provision must pay both the employer and employee contributions. This is similar to what was enacted for teachers and State employees in S.L. 2009-451 Section 26.14E (Senate Bill 202).

S. L 2009-392 (SB 863) PURCHASE SERVICE/CERTAIN EMPLOYMENT

This act allows members of the Local Governmental Employees' Retirement System to purchase service credit for non-qualified employment with an economic development organization that received at least 50 percent of its funding from local government. To qualify, the members must have completed five years of membership service and pay the "full actuarial" cost. This act will expire December 31, 2009.

S. L 2009-396 (HB 816) CLARIFY LOCAL SPECIAL SEPARATION ALLOWANCE

This act amends G.S. 143-166.42, special separation allowance for local law enforcement officers, to clarify the age and service requirements necessary to qualify for the benefit. In addition, the act allows a local governmental employer to employ a retired law enforcement officer in a public safety position, in a capacity not requiring participation in the Local Governmental Employees' Retirement System, without affecting entitlement to the special separation allowance.

Retirement

S. L 2009-564 (SB 468) AUTHORIZE INSURANCE FOR FORMER EMPLOYEES

This act amends G.S. 153A-93(d) to allow counties, which are providing health insurance to retirees of the Local Governmental Employees' Retirement System, to also provide health insurance for all or any class of former officers and employees of the county who have obtained at least 10 years of service with the county prior to separation from the county and who are not receiving retirement benefits from the Local Governmental Employees' Retirement System. The premiums for the health insurance may be paid entirely by the county, partly by the county and former officer or employee, or entirely by the former officer or employee, at the option of the county.

The act also prohibits any county that is covering its employees and/or retired employees under the State Health Plan from covering any class of former officers and employees who are not receiving benefits under the Local Governmental Employees' Retirement System.

S. L 2009-567 (HB 1160) FIRE AND RESCUE PENSION FUND ADDITIONS

This act allows members of the Asheville Regional Airport Fire Department, who were participating in the Firemen's and Rescue Squad Workers' Pension Fund as of April 1, 2005, to make retroactive payments for service not credited and to also continue as members of the Firemen's and Rescue Squad Workers' Pension Fund.

S.L. 2009-576 (SB 133) REGISTER OF DEEDS' PENSION

This act amends G.S. 161-50.5(a) to clarify that the monthly benefit from the Register of Deeds' Supplemental Pension Fund will be offset by the maximum benefit payable from the Local Governmental Employees' Retirement System. This act corrects an oversight which occurred in legislation affecting the Fund passed during the 2007 legislative session. This act is prospective in that it will only apply to future registers of deeds.

Health Benefits

G.S. 135, Art. 3A, Other Benefits for Teachers, State Employees, Retired State Employees, and Child Health

G.S. 135-7(f), Retiree Health Benefit Fund

State Health Plan for Teachers and State Employees

The State Health Plan for Teachers and State Employees (Plan) administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements.

Employees and retired employees of selected local governments may participate in the Plan under certain conditions. Members of fire departments, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

The State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. As of June 30, 2009, enrollment in the Plan was 665,779 members. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total requirements for the Plan are estimated to be \$2.6 billion for FY 2009-10.

Significant Legislative Budget Actions

Legislative budget actions for the Plan were enacted via separate legislation prior to the enactment of S.L. 2009-451, the main appropriations act. For a description of the legislative budget changes made to the Plan please see "S.L. 2009-16 (SB 287) State Hlth Plan\$/Good Health Initiatives [sic]" Additional Legislation later in this section.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

No relevant information to report.

Note: The Appropriations Act includes one section requiring the Plan to provide consultative and technical assistance to the Department of Correction, that section is described below:

Section 19.20 INMATE MEDICAL SERVICES/REQUEST FOR PROPOSALS

This section requires medical providers under contract with the Plan to provide medical services to inmates and charge the Department of Correction for these services at the same rate of charge as provided to the Plan. The original language was later amended in Section 15A of Session Law 2009-575 (HB 836) to make the implementation conditional upon a series of factors. As of September 2009, it has been determined by the Plan's Executive Administrator that the revised language cannot be implemented due to other legal constraints; and

Health Benefits

This section also requires the Plan to provide consultative services to the Department of Correction in developing a Request for Proposal to solicit a claims processing contractor to manage medical services provided to inmates in the Department's custody.

Select Programs and Other Budgetary Information

Supplemental Appropriation Required to Continue Plan Operations for FY 2008-09

The General Assembly was informed by the Plan's Executive Administrator in late 2008 that the Plan would need an immediate appropriation of \$250 million for FY 2008-09 to continue operations through the end of the fiscal year. In addition, for the subsequent 2009-11 Biennium, beginning July 1, 2009, the Plan was estimated to require over \$1.2 billion in additional financial support to remain solvent and maintain minimum claim stabilization reserves assuming then current benefit levels. To fund this projected shortfall at then current benefit levels, and assuming a 9 percent per capita claims trend, the Plan would have required an estimated 30.8 percent increase in premium rates for the biennium (assuming an effective date of October 1, 2009).

In response, the General Assembly enacted Session Law 2009-16 (Senate Bill 287) to address the Plan's projected financial needs by increasing premium rates, changing benefits and enacting provider payment reductions. Those changes are described in a following section entitled "Additional Legislation".

Calendar Year 2008 Actuarial Valuation of Retiree Health Benefit Liabilities

The State's annual actuarial valuation of retired employee health benefit coverage reported a \$27.9 billion unfunded actuarial accrued liability as of December 31, 2008. This liability represents, in today's dollars, the unfunded benefit obligations already earned by current retirees, active employees, and inactive former employees eligible to retire at some point in the future.

The actuarial valuation was conducted according to Governmental Accounting Standards Board (GASB) standards that significantly change how public employers must measure, expense, and disclose obligations for other non-pension post-employment benefits. These standards (GASB 43 and 45) require public employers to use actuarial valuation methods and accrual accounting conventions — similar to the way pension obligations are measured and reported — to acknowledge the accumulation of Other Post-Employment Benefit (OPEB) liabilities. The most significant OPEB for the State of North Carolina is health benefit coverage provided to retired employees of State agencies and departments, university institutions, local public schools, and local community colleges. Retired employees are eligible for health benefit coverage provided that at the time of retirement they have five years of eligible service.

Responsibility for paying the premium contribution for health benefit coverage during an employee's retirement years depends upon the "first hire" date for the employee. If an employee was first hired on or before October 1, 2006, the employee is eligible for non-contributory (i.e., State paid) health benefit coverage if the employee retires with five or more years of service. For employees who were first hired on or after October 1, 2006, the responsible party for payment of the premium contribution is determined by the employees' years of service at retirement. If a retiring employee has 20 or more years of service they are eligible for non-contributory coverage.

Health Benefits

For an employee retiring with 10 up to 20 years of service the premium contribution is paid on a partially contributory basis where 50 percent of the contribution is paid by the retired employee and the other half by the State. Finally, employees retiring with between 5 and 10 years of service must pay 100 percent of the premium contribution (i.e., fully contributory basis).

Additional Legislation

S.L. 2009-16 (SB 287) STATE HLTH PLAN\$/GOOD HEALTH INITIATIVES [sic]

This act addressed the Plan's projected financial needs for FY 2008-2009, and the ensuing 2009-11 Biennium. A summary of the changes are listed below:

- Authorizes an 8.9 percent annual increase in premium rates charged by the Plan on July 1 of each fiscal year of the biennium for non-contributory and contributory premium rates; this action moves the historical date to increase premium rates from October 1 in the first year of a biennium to July 1 of each fiscal year;
- Makes General Fund appropriations of \$250 million from the Savings Reserve Account ("Rainy Day Fund") for FY 2008-09, and \$408.3 million for the 2009-11 Biennium;
- Eliminates the 90/10 PPO Plus option benefit alternative effective July 1, 2009;
- Reduces Plan medical benefits by increasing plan member out-of-pocket requirements for certain medical benefits;
- Reduces Plan pharmacy benefits by increasing plan member out-of-pocket requirements by increasing co-payments for prescription drugs;
- Reduces Plan pharmacy benefits by decreasing the supply of a prescription drug dispensed for a monthly co-payment from a 34-day period to a 30-day period.
- Directs the Plan to achieve a reduction of \$18 million in FY 2009-10 and \$20 million in FY 2010-11 in pharmacy provider costs through its existing contract authority with the Plan's Pharmacy Benefit Manager; and
- Implements a "Comprehensive Wellness Initiative" to focus on smoking cessation and weight management efforts.

Additional information on these changes is described in the following sections.

Increased Funding Appropriated

The General Assembly enacted a one-time \$250 million appropriation to the Plan to cover a shortfall in funds needed to pay benefit claims and administrative costs for the duration of FY 2008-09, and to provide the Plan with an adequate beginning cash balance for FY 2009-10

Health Benefits

beginning July 1, 2009. The source of funds for this additional appropriation was the State's Savings Reserve Account ("Rainy Day Fund").

The General Assembly also enacted the following additional appropriations for the 2009-11 Biennium to fund increased non-contributory premium rates charged to employing agencies to provide health benefit coverage to their eligible active employees and employer payroll contributions paid to the Retiree Health Benefit Fund which pays premiums charged for non-contributory coverage for retired employees:

Appropriations	FY 2009-10	FY 2010-11	Biennium
General Fund	132,214,752	276,179,709	408,394,461
Highway Fund	6,170,022	12,888,386	19,058,408
Other Receipt Funds	27,276,062	56,976,206	84,252,268
TOTAL	\$165,660,836	\$346,044,301	\$511,705,137

The appropriations and budgeted receipts highlighted above result from an annual 8.9 percent premium increase in non-contributory premium rates for the fiscal year beginning July 1, 2009, and an additional annual premium increase of 8.9 percent for the fiscal year beginning July 1, 2010. Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium; however, the premium increases in Session Law 2009-16 (Senate Bill 287) change that methodology to an annual increase at the beginning of each fiscal year of a biennium.

In addition, as a result of the annual 8.9 percent increase in premium rates, active and retired employees were projected to pay an additional \$33.9 million in FY 2009-10 and \$70.8 million in FY 2010-11 in premium charges for fully contributory coverage of their dependent children and/or spouses.

Benefit Changes

Medical Benefits – Out-of-Pocket Changes

The act increases out-of-pocket requirements for plan members by increasing various co-pays, deductibles and co-insurance requirements. The effect of these higher out-of-pocket requirements is to lower the amount of premium funding required to support the Plan for the 2009-11 Biennium. A summary of the out-of-pocket changes for medical benefit related services is provided in the table that follows.

Health Benefits

Out-of-Pocket Changes Plan Member Co-pays (per visit)	PPO Basic		PPO Standard	
	Current	New Co-pay	Current	New Co-pay
Primary Care	\$25	\$30	\$20	\$25
Specialty Care	\$50	\$70	\$40	\$60
Urgent Care	\$75	\$75	\$50	\$75
Inpatient Hospital	\$200	\$250	\$150	\$200
New mid-tier Co-pay for Chiropractor, Physical-Occupational-Speech Therapy, and Mental Health/Substance Abuse	\$50	\$55	\$40	\$45
Annual Deductible				
In-network	\$600	\$800	\$300	\$600
Out-of-network	\$1,200	\$1,600	\$600	\$1,200
Coinsurance Maximum				
In-network	\$2,500	\$3,250	\$1,750	\$2,750
Out-of-network	\$5,000	\$6,500	\$3,500	\$5,500

Prescription Drug Benefits – Out-of-Pocket Changes

For acute and maintenance prescription drugs, the co-pay for brand drugs increased from \$30 per script to \$35 per script, brand drugs with a generic equivalent from \$40 per script to \$10 plus the difference in the Plan's gross allowed cost of the brand drug and the Plan's cost of the generic equivalent drug, and from \$50 per script to \$55 per script for non-preferred brand drugs.

The act authorizes a new co-pay tier for specialty prescription drugs determined to be "biotech" medications or other select costly medications that cost the Plan in excess of \$400 per prescription. The new per script co-pay is to be equal to 25 percent of the Plan's cost for the drug or a maximum of \$100. The former co-pays for specialty drugs ranged from \$30 to \$50 per script. The act also authorized the Plan to contract with a specialty drug vendor through which to channel plan member purchases of specialty drugs on an outpatient basis or in a professional office or institution setting.

The days supply of a prescription drug dispensed for a monthly co-payment was decreased from a 34-day period to a 30-day period.

Provider Reductions

The act also directs the Plan to achieve a reduction of \$18 million in FY 2009-10 and \$20 million in FY 2010-11 in pharmacy provider costs through its existing contract authority with the Plan's Pharmacy Benefit Manager. These savings are based on the Plan's actuarial projection dated March 20, 2009 which makes specific assumptions about enrollment, estimated costs and utilization trends. Total savings under this authority may increase or decrease without adjustment based on a change in total enrollment provided that the rate of savings achieved on a per member per month basis remains constant. Adjustments to total savings may be made within 60-days after each six-month period of a fiscal year if savings exceed 105 percent of the specified savings.

Health Benefits

Other Benefit Changes Affecting the Plan

Routine eye exams under the Plan are eliminated effective January 1, 2010.

The act also eliminates the 90/10 PPO Plus benefit plan for plan members effective July 1, 2009. Plan members were provided the option to enroll in the remaining PPO Basic or PPO Standard plans.

The act implements a "Comprehensive Wellness Initiative" to focus on smoking cessation and weight management efforts.

The smoking cessation program will commence July 1, 2010 and will require all non-Medicare plan members to be enrolled in the PPO Basic plan unless the subscribing employee or retired employee can attest that they or any enrolled dependent do not smoke or otherwise use tobacco products. For eligible employees or retired employees who have attested that neither they nor their enrolled dependents use tobacco products, or if their medical provider certifies that a plan member is in a smoking cessation program, they will have the option to enroll in the PPO Standard plan.

The weight management program authorized in the act will begin effective July 1, 2011. Under this program all non-Medicare plan members will be enrolled in the PPO Basic plan unless the subscribing employee or retired employee attests that the ratio of weight and height of the employee or retired employee, or for any of their enrolled dependents, meets certain evidence-based healthy weight clinical guidelines. A plan member who cannot meet the Plan's weight and height ratio guidelines will remain in the PPO Basic plan unless a medical provider certifies the plan member has a medical condition that prevents them from attaining a specified ration of weight and height, or if the member is actively participating in a Plan-approved weight management program.

Health Benefits

Financial Reconciliation of Funding, Provider, and Benefit Changes

The following table reconciles the financial impact of changes authorized under the act. The amounts indicated assume the consulting actuary for the Plan's estimate of projected financial need for the 2009-11 Biennium, their projected financial savings due to benefit and other provider related changes, and their estimate of additional premium contributions:

State Health Plan Summary of Financial Changes Session Law 2009-16 (Senate Bill 287) (\$ Million)			
	FY 2009-10	FY 2010-11	Biennium
1) Projected Financial Support Required Before Any Adjustments	\$528.1	\$704.2	\$1,232.3
2) Adjust for Proposed FY 2008-09 Special Appropriation of \$250M	(\$107.1)	(\$142.9)	(\$250.0)
3) Adjust for Elimination of PPO Plus (Net Adjustment)	(\$14.4)	(\$24.4)	(\$38.8)
4) Adjusted Financial Support Required for the 2009-11 Biennium	<u>\$406.6</u>	<u>\$536.9</u>	<u>\$943.5</u>
5) Benefit Reductions Effective July 1, 2009			
Medical			
Primary Care Co-pay (Increase)	(\$8.5)	(\$9.6)	(\$18.1)
Specialist Co-pay (Increase)	(\$29.1)	(\$32.7)	(\$61.8)
Mid-tier Specialist Co-pay (New)	\$8.5	\$9.6	\$18.1
Urgent Care Co-pay (Increase)	(\$0.7)	(\$0.8)	(\$1.5)
Inpatient Co-pay (Increase)	(\$2.2)	(\$2.4)	(\$4.6)
Deductible and Coinsurance Maximum (Increase)	(\$76.2)	(\$86.9)	(\$163.1)
Routine Eye Exam (Eliminate Benefit) {Effective January 1, 2010}	(\$2.2)	(\$7.2)	(\$9.4)
Sub-total	<u>(\$110.4)</u>	<u>(\$130.0)</u>	<u>(\$240.4)</u>
Outpatient Acute and Specialty Prescription Drugs			
Brand Drug Co-pay (Increase)	(\$11.8)	(\$12.2)	(\$24.0)
Brand Drug with Generic Equivalent (Increase)	(\$4.6)	(\$5.6)	(\$10.2)
Non-Preferred Brand Drug Co-pay (Increase)	(\$3.1)	(\$3.2)	(\$6.3)
Reduce from 34-Day supply to 30-Day Supply per script	(\$2.7)	(\$3.1)	(\$5.8)
Specialty Drug Copay (Establish)	(\$1.4)	(\$1.6)	(\$3.0)
Establish a Specialty Drug vendor	(\$1.7)	(\$1.8)	(\$3.5)
Sub-total	<u>(\$25.3)</u>	<u>(\$27.5)</u>	<u>(\$52.8)</u>
Total -- Benefit Reductions	<u>(\$135.7)</u>	<u>(\$157.5)</u>	<u>(\$293.2)</u>
6) Additional Pharmacy Discounts to be Implemented by the Plan	(\$18.0)	(\$20.0)	(\$38.0)
7) Appropriations by the General Assembly			
Premium increase for Employing Agencies (July 1, 2009 = 8.9%, July 1, 2010 = 8.9%)			
General Fund	(\$132.2)	(\$276.1)	(\$408.3)
Highway Fund	(\$6.2)	(\$12.9)	(\$19.1)
Other Employer Funds	(\$27.3)	(\$57.0)	(\$84.3)
Total Employer Funds	<u>(\$165.7)</u>	<u>(\$346.0)</u>	<u>(\$511.7)</u>
8) Premium increases for Dependent Coverage (July 1, 2009 = 8.9%, July 1, 2010 = 8.9%) Paid by Employees and Retirees for Enrolled Spouses and Dependent Children			
Total Employee Funds	<u>(\$33.9)</u>	<u>(\$70.9)</u>	<u>(\$104.8)</u>
9) Plan's Other Operating Adjustments	\$0.1	\$6.1	\$6.2
10) Balance*	<u>\$53.4</u>	<u>(\$51.4)</u>	<u>\$2.0</u>

* The \$2.0 balance remaining at the end of the biennium is a product of rounding error and a difference in projected ending cash balances between financial projections estimating total financial requirements and final requirements after the authorized premium increases, benefit changes, and other program changes. This difference is not expected to have an adverse effect on the Plan's finances.

Health Benefits

Other Policy Changes

A summary of various other changes made to the Plan are highlighted below:

- Specifies that contract terms between the Plan and any third party administrator or its pharmacy benefit manager are a public record except for provisions in a contract that contain trade secrets or proprietary or confidential information;
- Requires the Executive Administrator to solicit an independent audit of the Plan to determine if savings can be achieved in the Plan's claims and administrative costs including its costs for claims processing with its Claims Processing Contractor;
- Establishes a State Health Plan Blue Ribbon Task Force to review the governance of the Plan and to make recommendations in part that will ensure the ongoing financial stability of the Plan, increase and maintain high participation rates among plan member dependents, compare the coverage and costs of the Plan with other regional health plans, and address issues of cost, quality, and access to healthcare coverage under the Plan. The Task Force is also tasked with studying the feasibility of moving the Plan under an independent board or State agency, creating tiered premium rates, reviewing costs to supplement dependent premium rates, implementing a closed prescription drug formulary, moving the Plan to a calendar year based plan year and any other matters deemed relevant.

S.L. 2009-83 (HB 439) STATE HEALTH PLAN/TAXPAYER RECOVERY ACT

This act requires reimbursement payments for city or county ambulance services rendered to plan members to be paid by the Plan's Claims Processing Administrator directly to the city or county ambulance service provider, or made co-payable to the provider and affected plan member.

S.L. 2009-313 (HB 535) HEALTH INSURANCE COVERAGE/LYMPHEDEMA

This act requires the Plan to provide coverage for the diagnosis, evaluation, and treatment of lymphedema. Under the change, coverage is required for certain therapies, equipment, supplies, and outpatient services for self-management training and education. For coverage purposes treatment regimens for lymphedema must be medically necessary and provided by a certified health care professional approved and licensed or certified by the state to provide diagnosis, evaluation, and treatment for lymphedema.

S.L. 2009-571 (HB 1274) STATE HEALTH PLAN BLUE RIBBON TASK FORCE

This act makes various omnibus changes to the laws affecting the Plan. A summary of those changes is listed below:

- Clarifies that the Speaker of the House and the President Pro Tempore of the Senate shall make the legislative appointees to the State Health Plan Blue Ribbon Task Force;
- Adds any representation or attestation by a plan member in the determination of material facts in claims for reimbursements for medical claims;

Health Benefits

- Exempts smoking cessation and weight management from the existing five-year cessation of coverage requirement when a plan member makes a false statement;
- Removes the authority of the Executive Administrator to set premium rates; and
- Clarifies that a plan member shall pay for a monthly supply of a prescription drug the lesser of a pharmacy provider's charge to the general public or the Plan's stated co-pay for a 30-day supply of the drug.

S.L. 2009-574 (HB 945) THE STUDIES ACT OF 2009

Section 2.34 of The Studies Act of 2009 authorizes the Legislative Research Commission to study chiropractic services and cost-sharing under the Plan.

Capital Improvements and Debt Service

Subcommittee Summary:

The Senate and House Appropriations Committees generally address capital improvements and debt service appropriations as full committees based on recommendations from the Chairs of the respective Appropriations Committees. The House Appropriations Committee also relies on its 11-member standing Appropriations Subcommittee on Capital for recommendations on the construction of new State facilities, repair and renovation of existing State facilities, the acquisition of lands, and the authorization of debt financing.

Subcommittee Membership:

Rep. Bruce Goforth, Chair
 Rep. Bill Owens, Chair
 Rep. Larry Womble, Chair
 Rep. Robert Grady
 Rep. Marilyn Avila
 Rep. Leo Daughtry
 Rep. Hugh Holliman
 Rep. Dan Ingle
 Rep. Ric Killian
 Rep. Deborah Ross
 Rep. William Wainwright

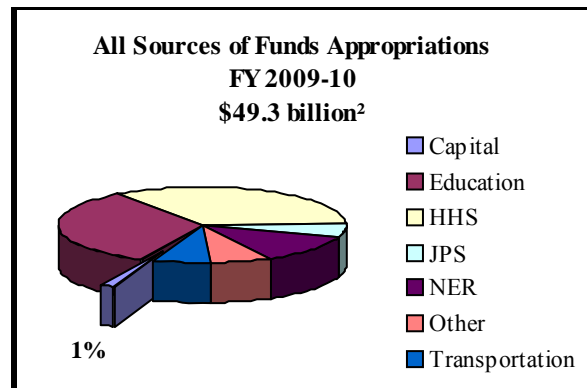
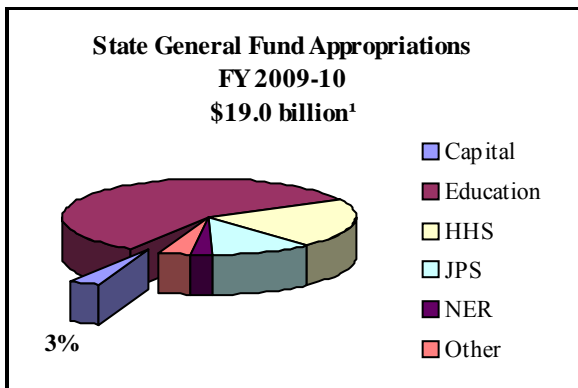
N/A

Staff:

Jim Klingler, Team Leader
 Mark Bondo

Budget Comparison:

The General Assembly appropriated \$649 million in FY 2009-10 for capital improvements and debt service from the General Fund and \$700.6 million in from all sources. This represents 3.4% of net General Fund appropriations and 1.4% of the total \$49.3 billion appropriated from all funds reported. The totals do not reflect the \$714.6 million in repairs and renovations, debt authorizations, and self-liquidating capital projects.



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Capital Improvements Budget

NC Constitution, Art. V., Sec. 3 Limitation upon the increase of State debt;
 NC Constitution, Art. V., Sec. 13[12] Seaport and airport facilities;
 G.S. 143C-8-1 Legislative intent; purpose; and
 G.S. 143C-8-5 Six-year capital improvements plan

Agency Description:

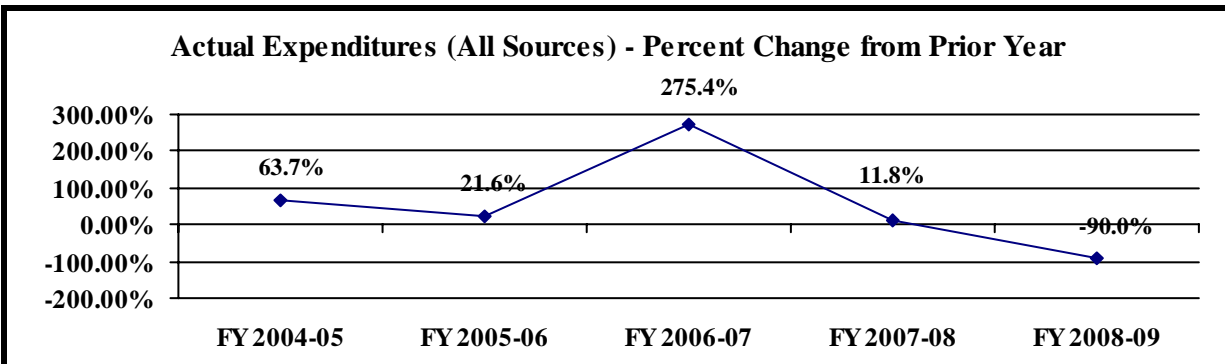
The Capital Improvements Budget includes the construction, repair, and renovation of State facilities; the acquisition of State lands; and facility planning. The capital budget's foundation is the State's Six-Year Capital Improvements Plan (CIP), required by G.S. 143C-8-5 and prepared by the Office of State Budget and Management. The Governor uses the CIP to craft the recommended capital budget. The General Assembly uses the Recommended Budget and the State CIP as a starting point for writing the capital budget.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Expenditures	230,741,100	23,070,930	4,875,000	0
Revenue	0	0	0	0
Net Appropriations	\$230,741,100	\$23,070,930	\$4,875,000	\$0
Positions (FTE)	0.00	0.00	0.00	0.00

Budget Overview:

The Capital Improvements Budget for FY 2009-10 is \$4,875,000. The budget, funded solely from the General Fund, represents a decrease of 78.9% from FY 2008-09. The FY 2008-09 capital budget was reduced by the Governor in order to free up \$115.1 million in State appropriations to help balance the FY 2008-09 revenue shortfall. The graph below excludes two key areas of capital spending, repairs and renovations and debt proceeds.

The average percentage change from FY 2004-05 to FY 2008-09 is 56.5%. As the State's revenue picture improved in recent years, the General Assembly appropriated more from the General Fund for capital improvements. That trend reversed with the current economic recession. Since FY 2004-05, the State used debt financing to fund most capital improvement projects, especially for the University of North Carolina System.



Capital Improvements Budget

Budget Tables

The following table provides a breakdown of the total General Fund capital improvements budget by agency.

Capital Improvements (19600 – General Fund)	Certified FY 2009-10	Certified FY 2010-11
Department of Environment and Natural Resources	4,875,000	0
TOTAL	\$4,875,000	\$0
Revenue	0	0
NET GENERAL FUND APPROPRIATIONS	\$4,875,000	\$0

Note: The General Assembly typically appropriates funds for capital projects on a one-year basis.

Other Funds

No relevant information to report.

Significant Legislative Budget Actions

Due to the severe fiscal crisis facing the State, the General Assembly opted to appropriate General Fund dollars only for water resource development projects expected to receive federal matching funds. Additionally, the General Assembly transferred unencumbered cash balances from selected previously-authorized projects in order to increase funds for general availability; these transfers are summarized in the following table.

Agency/Department	Number of Projects	Total Transferred
Administration	5	6,684,700
Commerce	1	70,116
Corrections	3	5,003,340
Environment and Natural Resources	9	1,339,985
Health and Human Services	5	3,031,106
Juvenile Justice and Delinquency Prevention	13	4,289,554
Office of State Management and Budget	1	1,471,717
University of North Carolina System	Unspecified ¹	2,482,183
TOTAL	37	\$24,104,601

¹ The General Assembly specified that of the \$2.5 million to be transferred from the UNC System, the System must choose \$1.2 million from energy-efficiency-related capital projects and \$1.3 million from any capital projects.

The General Assembly addressed debt-financed capital projects in legislation separate from the Appropriations Act; more information may be found in the Additional Legislation section.

Capital Improvements Budget

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 27.3 WATER RESOURCES DEVELOPMENT PROJECT FUNDS

This section allocates \$4,875,000 of General Fund appropriations for water resources development projects. Eight projects received funding for FY 2009-10 to cover the State's match for federally funded projects through the US Army Corp of Engineers. In addition, a Water Resources Development Projects Reserve was also created to be used for authorized projects' cost overruns and as State match for additional federal funds. The following table summarizes these allocations.

Project	FY 2009-10
Carolina Beach Renourishment	605,769
Carolina Beach South (Kure Beach) Renourishment	336,536
Wrightsville Beach Renourishment	844,308
Ocean Isle Beach Renourishment	673,077
Beaufort Harbor Maintenance	50,000
Planning Assistance to Communities	75,000
Concord Stream Restoration (Cabarrus County) (Sec. 206)	262,500
Wilson Bay Restoration (Sec. 206), Onslow County	250,000
Water Resources Development Projects Reserve	1,777,808
TOTAL	\$4,875,000

Section 27.4 NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATION

This section authorizes State agency construction projects that will be funded by receipts, should those receipts become available. The total cost of projects authorized is \$122,782,542. A complete list of projects is provided in the following table.

Project	Authorization
Crime Control and Public Safety	
National Guard – Additions and Renovations to Armories	9,303,442
National Guard – Camp Butner Cantonment – Phase 1 Design	1,367,000
National Guard – Family Assistance Centers	2,000,000
National Guard – Gastonia Armory Renovation and Expansion	1,100,000
National Guard – Tactical Unmanned Aerial Systems Facility	6,746,000
Department of Cultural Resources	
Aycock Birthplace Picnic Shelter	86,100
Maritime Museum – Floating Deck	130,000
Museum of History Chronology Exhibit – Phase 2B (1900-1960)	1,200,000

Capital Improvements Budget

Department of Environment and Natural Resources	
Zoo – Elephant Exhibit New Restrooms	300,000
Wildlife Resources Commission	
Armstrong Hatchery - Lower Raceway Replacement	1,725,000
Centennial Campus Center for Wildlife Ed - Exhibit Completion	180,000
Chinquapin Equipment Storage Pole Shed	60,000
Chowan Bridge Fishing Pier and Edenton Boating Access	450,000
Emerald Isle New Boating Access Area	600,000
Falls Lake Office Building	550,000
Hampstead Land Acquisition	10,000,000
Land Acquisitions - State Game Land	59,135,000
Lewelyn Branch New Boating Access Area	150,000
Manns Harbor Bridge Marina Acquisition	5,750,000
Marion Depot Drainage Repairs	200,000
McKinney Lake Hatchery Kettles Replacement	1,700,000
Minor Boating Access Area Renovations – Various Locations	150,000
New Coldwater Fish Hatchery Construction	7,900,000
Ocean Isle Boating Access Area Renovations	150,000
Outer Banks Education Center Teaching Facility Repairs	245,000
Pechmann Fishing Education Center Pond Restoration	160,000
Pechmann Fishing Education Center Storage Building	220,000
Pisgah Center for Wildlife Education Gift Shop Renovation and Expansion	200,000
Pisgah Center for Wildlife Education Outdoor Exhibit Renovation	450,000
Pisgah Center for Wildlife Education Repairs	155,000
Pisgah Hatchery Water System Renovations	100,000
Rhodes Pond Dam Repairs	500,000
Sneads Ferry Land Acquisition	6,500,000
Sunset Harbor Land Acquisition	925,000
Swan Quarter Land Acquisition	1,700,000
Sykes Depot Pond, Office, Storage Construction	350,000
Table Rock Hatchery Office and Workshop Replacement	345,000
TOTAL	\$122,782,542

Section 27.5 REPAIRS AND RENOVATIONS RESERVE ALLOCATION

This section adjusts the long-standing policy for allocating funds in the Repairs and Renovations Reserve Account (Reserve Account). Since 1995, 54 percent of funds were allocated to State agencies and 46 percent allocated to universities. S.L. 2009-451 changes this policy to an equal split between the State agencies and the universities.

For FY 2008-09, \$50 million in debt proceeds authorized in S.L. 2009-209 and \$12 million from the federal State Energy Program block grant are transferred to the Reserve Account. For additional information on debt authorized in S.L. 2009-209, see the Additional Legislation section.

The provision also:

- Provides direction for allowable uses of funds for energy projects;

Capital Improvements Budget

- Directs the UNC Board of Governors to allocate a portion of its funds to install sprinklers in various UNC campuses; and
- Directs the UNC Board of Governors to use its funds to complete campus public safety projects that are otherwise authorized for expenditure from the Reserve Account.

Additional information on the Repairs and Renovations Reserve Account may be found in the Select Programs and Other Budgetary Information section of this section.

Section 27.11 TRANSFER OF UNENCUMBERED CASH BALANCES IN VARIOUS CAPITAL FUNDS

This section directs the Governor to transfer unencumbered amounts in various General Fund capital accounts to the State Controller to be deposited in the General Fund as general availability. The total of \$21,890,518 is transferred and used to balance the FY 2009-10 budget.

Section 27.12A AMEND COPS AUTHORIZATION LANGUAGE/APPALACHIAN STATE UNIVERSITY PROPERTY ACQUISITION

This section amends S.L. 2007-232, Sec. 29.12(a) and allows the College of Education Building at Appalachian State University to use proceeds from the sale of debt for acquiring real property. The campus will use proceeds to reimburse the campus endowment for the purchase of land and a building adjacent to the new Education Building. The College of Education will occupy the acquired property.

Select Programs and Other Budgetary Information

State Debt Policy and Practice

The State of North Carolina's policies and practices for meeting the construction and maintenance needs of its government buildings and infrastructure provide a framework of clearly-defined principles within the State's laws.

Legal Authority

NC Constitution Article V, Section 3 provides that debt pledging the faith and credit of the State must be approved by a majority of qualified voters. The Constitution allows certain debts without voter approval, including tax-anticipation notes and two-thirds bonds.

Various General Statutes provide direction on the use of certain forms of debt, such as revenue bonds (Chapter 159, Article 5), certificates of participation and other special indebtedness (Chapter 142, Article 9), and special obligation bonds (G.S. 116D-26).

Session Laws authorize all capital improvement projects that incur any type of debt. While the administration of certain debt is directed in statute, requirements for the administration of general obligation bonds are provided in the same session law that authorized the debt.

Administration of Debt

Once debt is authorized, the Office of State Budget and Management (OSBM) and the State Treasurer plan and propose the sale of debt. Upon final approval by the Council of State,

Capital Improvements Budget

the State Treasurer sells the debt. Proceeds are deposited in the Treasury and managed by OSBM.

G.S. 116D-26 authorizes the Board of Governors of The University of North Carolina System to issue special obligation debt and bond anticipation notes. The Board of Governors must have project authorization from the General Assembly (see S.L. 2009-540 in the section titled Additional Legislation). The Board must also get approval from the Governor.

Types of Debt

Within the legal framework discussed earlier, the State may issue various types of debt but has traditionally relied on the following:

- **General Obligation Bonds** are backed by the full faith and credit of the State and require approval by a majority of voters.
- **Legislative Bonds** are another form of general obligation debt that may be issued without voter approval "to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the next preceding biennium." Such issuances are also referred to as "two-thirds bonds."
- **Revenue Bonds** are backed by revenues generally tied to the project being financed; cannot pledge the faith and credit of the State; and do not require voter approval.
- **Special Obligation Bonds** are backed by various agency revenues and are similar to revenue bonds in all other respects. As set out in G.S. 116D-26, only the Board of Governors of the University of North Carolina System may issue special obligation bonds.
- **Special Indebtedness** is incurred by various means, including lease or installment purchases, Certificates of Participation (COPs), and limited obligation bonds. Backed by a pledge of appropriation, special indebtedness does not pledge the faith and credit of the State and does not require voter approval.

Debt Management

During the 2004 Session, the General Assembly enacted S.L. 2004-179, which established the Debt Affordability Advisory Committee (DAAC). The seven-member Committee, as prescribed in Chapter 142, Article 10, produces a Debt Affordability Study each February; this study provides debt-capacity and management recommendations to the General Assembly, the State Treasurer, and the Governor.

The General Assembly considers the DAAC's recommendations in formulating its strategies for addressing capital needs of the State. For FY 2009-10 the following principles were considered:

- A debt-service target equaling 4 percent of anticipated General Fund tax revenues and a maximum ceiling of 4.75 percent of anticipated General Fund tax revenues for new debt authorizations; and

Capital Improvements Budget

- A debt principal target of \$50.2 million for each of the next five years to match the four percent debt service target.

The recommended debt target per year is considerably less debt capacity than DAAC has recommended in recent years. This is due to the overall economic climate and the decline in General Fund revenues.

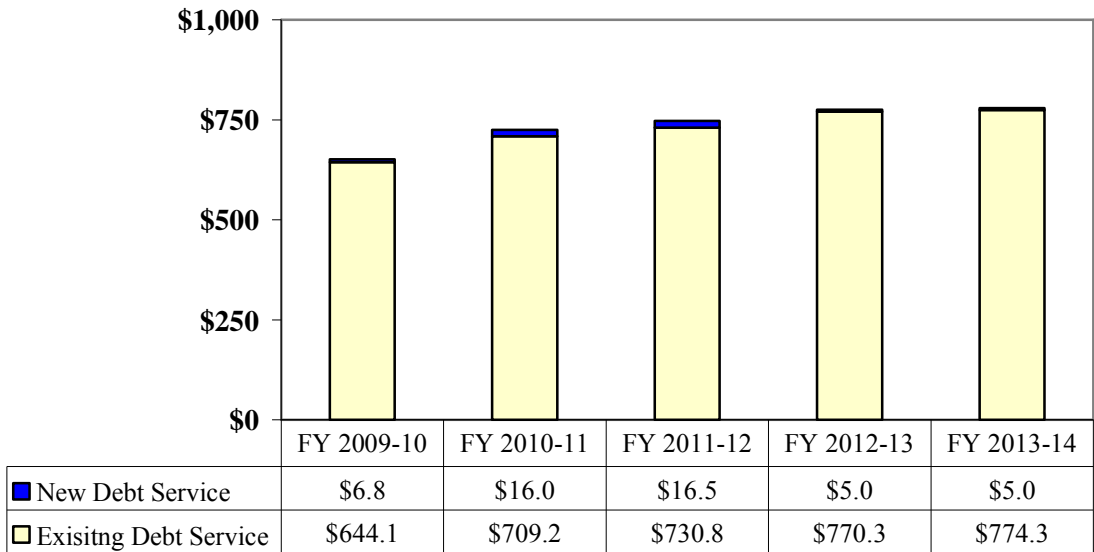
While the General Assembly authorized no new debt in the budget, the General Assembly did authorize \$487.7 million in new debt through S.L. 2009-209. In order to stay below the recommended debt target, previously authorized debt financed projects were adjusted to reduce budgeted inflation and/or to shift debt authority beyond the 2009-11 biennium. More information on S.L. 2009-209 can be found in the Additional Legislation Section.

Current Debt Obligations and Authorizations

The State Treasurer has estimated the State's outstanding indebtedness at \$6.8 billion in General Fund indebtedness and \$594 million in Highway Trust Fund indebtedness for FY 2009-10.

In addition to the State's outstanding debt, the General Assembly has also authorized \$2.3 billion in unissued State debt, including the \$487.7 million authorized in S.L. 2009-209. The following chart presents the State's projected debt service through FY 2012-13.

**Estimated Debt Service FY 2009-10 through FY 2013-14
(\$ in millions)**



Capital Improvements Budget

Repairs and Renovations to State Facilities

The General Assembly has also established a framework for addressing the repair and renovation needs of the State's buildings and structures. Unlike new construction projects, the General Assembly has established a funding mechanism to address ongoing maintenance needs.

Funding

The State's repairs and renovations are typically paid for by appropriations from the State General Fund. G.S. 143C-4-3 directs the State Controller to transfer 25 percent of the General Fund's year-end unreserved fund balance to the Repairs and Renovations Reserve Account. However, balancing the FY 2008-09 budget deficit left no credit balances in the General Fund to transfer to the Repairs and Renovations Reserve Account.

For FY 2009-10, the General Assembly provided for repairs and renovations of State facilities through authorizing the issuance \$50 million in general obligation debt in the form of two-thirds bonds. The General Assembly also allocated \$12 million from the federal State Energy Program block grant to the reserve account.

Legal Authority

G.S. 143C-4-3 specifies the types of projects eligible for funds from the Repairs and Renovations Reserve Account, including the repair and replacement of roofs, structural repairs, repairs to meet federal and State standards, and other specified improvements.

Administration of Repairs and Renovation Funds

Section 27.5 of S.L. 2009-451 changes the long standing policy of allocating repairs and renovations funds between the Board of the Governors of the University of North Carolina (UNC System) and the Office of State Budget and Management (OSBM). Every year since 1995, 46 percent of funds in the Repairs and Renovations Reserve Account were allocated to the UNC System and 54 percent of funds were allocated to OSBM to be distributed across remaining State agencies. S.L. 2009-451 apportions funds in the reserve account equally (50 percent each) between the UNC System and OSBM.

OSBM and the UNC System must each develop plans for their respective portions of the reserve account. OSBM and the UNC System must then consult with the Joint Legislative Committee on Governmental Operations prior to allocating the funds among projects. For FY 2009-10, \$31 million will be allocated to OSBM and \$31 million to the UNC System.

Additional Legislation

S.L. 2009-540 (SB 786) UNIVERSITY NONAPPROPRIATED CAPITAL PROJECTS

This act authorizes the financing and construction of self-liquidating capital improvement projects proposed by the Board of Governors of the University of North Carolina for FY 2009-10. These projects are in addition to the capital projects contained in the S.L. 2009-451 and are financed with debt repaid by sources other than tuition and General Fund

Capital Improvements Budget

appropriations. These sources include housing receipts, athletic fees, dining receipts, and other receipts.

S.L. 2009-540 authorizes \$214,891,500 for the construction of 21 new capital projects. The projects include student housing, athletic facilities, student dining, and infrastructure projects. Two of these projects will require General Fund operating support totaling \$110,233 by FY 2010-11 and approximately \$250,000 each following fiscal year.

Additionally, the act:

- Authorizes Appalachian State University to make improvements to Kidd Brewer Stadium through arrangements with the Appalachian State University Foundation.
- Authorizes the University of North Carolina at Pembroke to replace the West Hall dormitory through arrangements with the University of North Carolina at Pembroke Foundation.

S.L. 2009-209 (HB 1508) TWO-THIRDS BONDS ACT OF 2008

This act revises Section 27.9 of the Appropriations Act of 2008 (S.L. 2008-107) to revise and expand the authority to issue general obligation debt in the form of two-thirds bonds for various capital projects.

As stated earlier in this section, under Article V, Section 3 of the North Carolina Constitution, the General Assembly may authorize general obligation debt without voter approval "to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the next preceding biennium." Such issuances are commonly referred to as "two-thirds bonds" or "legislative bonds."

S.L. 2009-209 authorizes the issuance of \$487.7 million in two-thirds bonds for the following:

- \$223 million for the completion of the Biomedical Research Imaging Center at the University of North Carolina at Chapel Hill;
- \$99 million for the construction of the Green Square Project in Raleigh. The Green Square Project includes a new office building for the Department of Natural and Environmental Resources and a major expansion of the NC Museum of Natural Science;
- \$50 million for repairs and renovations to State facilities across the State; and
- \$115.7 million for any projects previously authorized for special indebtedness. Two-thirds bonds carry the full faith and credit of the State, which makes these bonds a lower risk to investors than special indebtedness. In replacing higher-risk special indebtedness with lower-risk two-thirds bonds, the State expects to save on future financing costs.

In order to create sufficient debt capacity to authorize new debt, the General Assembly adjusted the existing debt authority for capital project across State government. Section 2 of

Capital Improvements Budget

the act creates \$120 million in debt capacity by adjusting the budgeted inflation in various capital projects from eight percent annual inflation to four percent annual inflation. This section also creates an additional \$188 million in debt capacity by shifting the debt authority for certain projects beyond the 2009-11 fiscal biennium.

The act also repeals G.S.116-29.5, which appropriated funds from the General Fund to complete the Biomedical Research Imaging Center.

Capital

GENERAL FUND

FY 09-10

FY 10-11

B. Department of Environment and Natural Resources

1 Water Resources Development Projects

Provides funds for the State's share of Water Resources Development Projects. Funds will provide a State match for \$57.7 million in federal funds. Projects are specified in a special provision. (S.L.2009-451,Sec.27.3)

\$4,875,000 NR

Total Appropriation to Capital

\$4,875,000 NR

Special Provisions

2009 Session: SB 202

Department: Capital

Section: 27.1

Title: **General Fund Capital Appropriations/Introduction**

Summary Provides an introduction and brief definition of capital expenditures.

Section: 27.2

Title: **Capital Appropriations/General Fund**

Summary Appropriates \$4.875 million from the General Fund for capital improvement projects for FY 2009-10 as follows:

Department of Natural Resources - \$4,875,000

Section: 27.3

Title: **Water Resources Development Projects/Required to Draw Down \$57,700,000 in Federal Funds**

Summary 27.3.(a) Allocates the funding provided in Sec. 27.2 for the following projects:

Wilmington Harbor Deepening - \$0
B. Everett Jordan Lake Water Supply Storage - \$0
Carolina Beach Renourishment - \$605,769
Carolina Beach South (Kure Beach) Renourishment - \$336,538
Wrightsville Beach Renourishment - \$844,308
Ocean Isle Beach Renourishment - \$673,077
Beaufort Harbor Maintenance - \$50,000
Princeville Flood Control - \$0
Currituck Sound Environmental Restoration - \$0
West Onslow Beach (Topsail Beach, Pender County) - \$0
Aquatic Plant Control (State, Lake Gaston & Roanoke Rapids Lake) - \$0
Planning Assistance to Communities - \$75,000
Concord Stream Restoration (Cabarrus County) - \$262,500
Wilson Bay Restoration, Onslow County - \$250,000
AIWW Dredging - \$0
Belhaven Harbor Feasibility - \$0
Dredging Contingency Fund - \$0
John H. Kerr Dam and Reservoir - \$0
Morehead City Harbor Maintenance - \$0
Neuse River Basin Restoration - \$0
Wilmington River Maintenance - \$0
Water Resources Development Projects Reserve - \$1,777,808

27.3.(b) Allows adjustment of the allocations among projects if actual costs vary from the estimated costs. Provides for the use of available funds resulting from deleted projects. Requires reversion of funds that remain unexpended or unencumbered at the end of the 2009-10 fiscal year.

Allows the use of available funds for state-local projects; US Army Corps of Engineers feasibility studies; or to pay required state match for any additional federal water resource development funds that become available during the 2009-10 fiscal year.

27.3.(c) Requires semi-annual reports on the use of funds.

27.3.(d) Authorizes projects that have received appropriations from the American Recovery and Reinvestment Act of 2009 and allows the Department of Environment and Natural Resources to allocate resources for those projects.

27.3.(e) Establishes the Water Resources Development Project Reserve. Use of the reserve is restricted to projects in 27.3d, or to cover a shortfall between funds appropriated for water resources development projects in current or past fiscal years.

27.3.(f) Limits the State contribution to 50 percent of the non-federal match for state and local projects.

Section: 27.4

Title: **Non-General Fund Capital Improvement Authorizations**

Summary 27.4.(a) Authorizes \$122.8 million in capital improvement projects funded by sources outside of the General Fund.

27.4.(b) Transfers \$30,000 to the Department of Agriculture and Consumer Services for the Departments' plant conservation program.

Section: 27.5

Title: **Repairs and Renovations Reserve Allocation**

Summary 27.5.(a) Allocates funds in the Repairs and Renovations Reserve Account between the Board of Governors of the University of North Carolina System (UNC System) and the Office of State Budget and Management (OSBM). The UNC System and OSBM each receive 50% of funds in the Reserve.

The UNC System and OSBM are directed to consider restoring eligible projects reduced or eliminated in Section 27.11 of this act.

27.5.(b) Directs the transfer of (i)\$50 million in debt proceeds authorized in S.L. 2009-209 and (ii)\$12 million from the federal State Energy Program to the Repairs and Renovations Reserve Account.

27.5.(c) Sets out the eligible energy conservation projects to be funded from the Repairs and Renovations Reserve Account.

27.5.(d) Reiterates that any federal American Recovery and Reinvestment Act (ARRA) expenditure must comply with federal program requirements.

27.5.(e) Directs the UNC System to continue installing fire sprinklers in campus dormitories.

27.5.(f) Directs the UNC System to use funds from the Reserve to implement campus public safety projects eligible for Reserve funding.

Section: 27.6

Title: **Procedures for Disbursement of Capital Funds**

Summary Sets forth procedures for the disbursement of capital funds authorized by the 2009 General Assembly.

Section: 27.7

Title: **Center for Design and Winston-Salem State Amendments**

Summary 27.7.(a)-(b) Amend Session Law to allow for the purchase and renovation of a building for the Center for Design Innovation.

27.7.(c) Allows \$2 million from the total amount appropriated for the Center for Design Innovation to be used for building purchase and renovation.

Section: 27.8

Title: **Debt Service for Green Square Complex Parking Construction**

Summary The General Fund shall service the debt for the Green Square Complex parking deck during the 2009-11 fiscal biennium.

Section: 27.11

Title: **Transfer of Unencumbered Cash Balances in Various Capital Funds**

Summary Eliminates or otherwise reduces \$24.4 million in unencumbered balances from capital accounts across State agencies. Section 2.2(j) of this act transfers the \$24.4 million to the General Fund for general availability.

Section: 27.12

Title: **Amend COPs Authorization Language/Allow Police Operations Center at School of the Arts**

Summary Authorizes the University of North Carolina School of the Arts to separate the construction of a police substation from a Storage Facility project authorized in 2008. The two functions will now be built as two separate buildings, but with no increase in the budget.

Section: 27.12A

Title: **Amend COPs Authorization Language/Appalachian State University Property Acquisition**

Summary Authorizes Appalachian State University to use existing debt authority to acquire land and improvements adjacent to the new College of Education building.

Section: 27.13

Title: **Report on Status of Certain UNC Repairs and Renovations Projects**

Summary Directs the Board of Governors of the University of North Carolina System (UNC System) to report on capital projects costing less than \$2 million. The UNC System has authority to manage projects costing less than \$2 million through G.S.116-31.11.

Section: 27.14

Title: **Allow Joint Construction of Nanoscience Building and Research Building on the Joint Millennial Campus of NC Agricultural and Technical State University and UNC Greensboro**

Summary Authorizes North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro to combine the construction of a general research facility with the construction of the Nanoscience and Nanoengineering Research Building at the Gateway University Research Park. The combination of both projects does not change the projects' budgets.

Section: 27.15

Title: **Medium Security Addition at Maury Correctional Institution**

Summary Authorizes the Department of Correction to use the inmate construction program and other measures to reduce the project budgets for various debt-financed prison projects. Further, authorizes the Department to use the excess debt authority to construct a 504-bed medium-security addition to Maury Correctional Institution with a maximum budget of \$16 million.

Information Technology Services-Statewide

Committee Summary:

Large-scale information technology projects and related policy proposals often affect agencies that lie in several Appropriations subcommittees. Therefore they are reviewed not fit within cannot be assigned to the The Committee Chairs typically review and make recommendations on funding for statewide systems such as the human resources/payroll project (known as BEACON) currently underway.

Committee Membership:

Rep. Henry "Mickey" Michaux, Senior Chair
 Rep. Alma Adams, Chair
 Rep. Martha Alexander, Chair
 Rep. James Crawford, Chair
 Rep. Phillip Haire, Chair
 Rep. Maggie Jeffus, Chair
 Rep. Joe Tolson, Chair
 Rep. Douglas Yongue, Chair

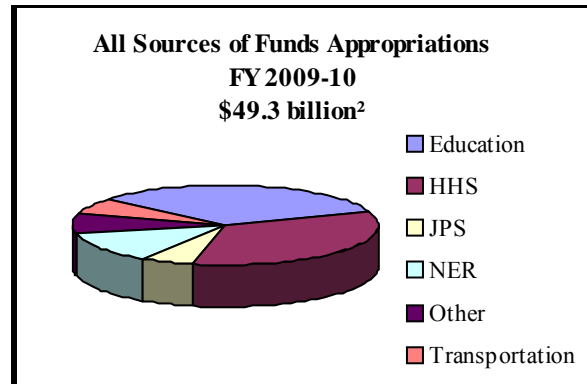
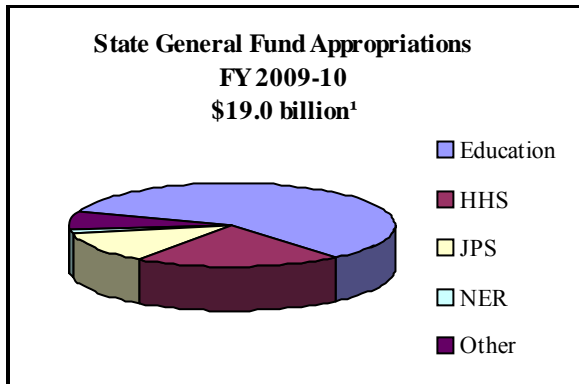
Sen. Charles W. Albertson, Chair
 Sen. Linda Garrou, Chair
 Sen. A.B. Swindell, Chair
 Sen. Charlie S. Dannelly, Chair

Staff:

Karlynn O'Shaughnessy

Budget Comparison:

The majority of funds for information technology services and support (98%) originate in agency operating budgets. Since IT services are administered through a fund that allows agencies to be charged directly, only the Office of Information Technology Services budget is presented below. The estimated total appropriations for IT services are projected to be \$251 million for FY 2009-10. The total amount appropriated for the IT Fund is \$11.3 million, \$9,361,985 from the General Fund, which is less than 1% of total appropriations from all sources reported for FY 2009-10.



Note:

¹ Reflects total general purpose revenues such as taxes, nontax revenue, and other sources of availability.

² Includes State appropriations, agency receipts, special revenue, trust, and enterprise fund revenues as certified by the Office of State Budget and Management. Does not reflect unduplicated or total appropriations due to limitations in certified budget information.

Information Technology Internal Service Fund

G.S. 147-33.83 Information Resources Centers and Services

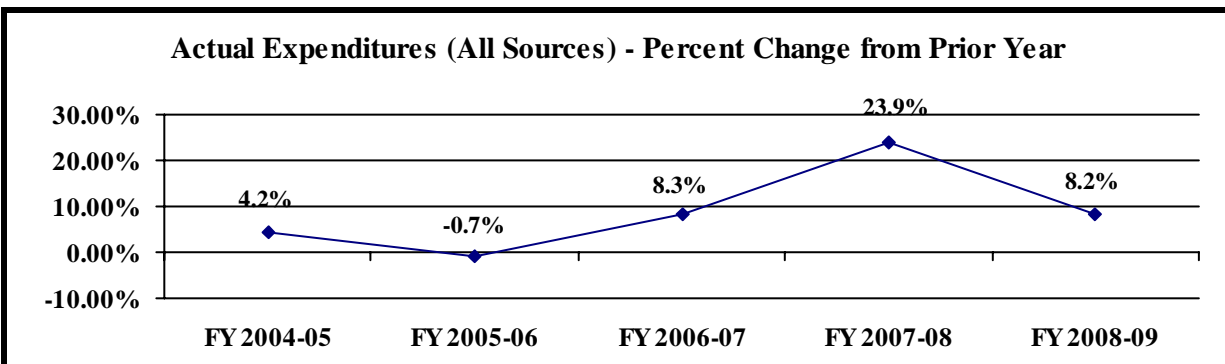
Agency Description:

The Office of Information Technology Services (ITS) provides oversight of and assistance to State agencies on all matters related to information technology. ITS is responsible for procuring all information technology for State agencies; submitting all rates and fees for common, shared State government-wide technology services; conducting an annual assessment of State agencies for compliance with statewide information technology policies; developing standards, procedures, and processes to implement policies approved by the State CIO; reviewing State agency information technology resources and management efforts; and developing a project management, quality assurance, and architectural review process.

	Actual FY 2007-08	Actual FY 2008-09	Certified FY 2009-10	Certified FY 2010-11
Revenue	202,780,752	210,002,660	250,811,707	250,811,707
Expenditures	190,148,330	205,780,603	250,988,031	250,988,031
Fund Balance Change	\$12,632,422	\$4,222,057	(\$176,324)	(\$176,324)
Positions (FTE)	534.00	560.00	566.00	566.00

Budget Overview:

The revenue for the Information Technology Internal Service Fund comes from receipts. Agencies are charged for information technology-related goods and services, and the receipts collected are used to fund the Office of Information Technology Services. The FY 2009-10 and FY 2010-2011 budget for the Information Technology Internal Service Fund is \$250,988,031. This amount is approximately 1.3% of the State appropriations and is an increase of almost 22% over actual expenditures during the previous fiscal year and 45% over the past six years. These increases are the result of expanding requirements for information technology support and consolidation. All of the budget is derived from receipts from other State agencies for services provided by ITS.



Information Technology Services

The House and Senate Appropriations Committees address information technology services, as there is no standing appropriations subcommittee on Information Technology in either the House or the Senate. Because large-scale projects and related policy issues typically affect multiple agencies, information-technology budget requests are subjected to the broader jurisdiction of the full Appropriations Committees acting through their chairpersons. General Statute 147, Section 33.72C, requires that these requests be reviewed and approved by the State Chief Information Officer (SCIO) and the Office of State Budget and Management before reaching the General Assembly.

Staff:

Karlynn O'Shaughnessy

Budget Comparison:

The provision of information technology within State government is managed under a business enterprise model and is largely financed through an Internal Service Fund. The central Office of Information Technology Services (ITS) levies fees for computer and telephone usage and charges its customer agencies on a monthly basis. Receipts to and expenditures from the Internal Service Fund will be approximately \$251 million in FY 2009-10.

Additionally, the General Assembly has created a much smaller special fund, the Information Technology Fund, from which it appropriates money for new statewide projects, research and development efforts, and ITS core management functions. For Fiscal Year 2009-10, these appropriations total \$12.7 million.

Information Technology Fund

The Information Technology Fund, as established in G.S. 147-33.72H, is to be used for statewide information-technology requirements, including planning, project management, security, electronic mail, State portal operations, and the administration of systemwide procurement procedures. Expenditures involving funds appropriated to ITS from the Information Technology Fund are approved by the State Chief Information Officer in consultation with the Information Technology Advisory Board (ITAB). This board consists of 12 members, experienced in State government or information technology

Section 5.3.(b) of S.L. 2009-451 appropriates funds to the Information Technology Fund for the biennium as follows:

Information Technology Fund	Certified FY 2009-10	Certified FY 2010-11
Information Technology Operations	5,350,000	4,990,000
Information Technology Projects	4,462,733	\$,077,467
Budget and Performance Management System	1,021,985	0
Budget/Committee Reporting System	500,000	0
TOTAL	\$11,334,718	\$9,067,467

Information Technology Services

Information Technology in North Carolina

In 2004 the North Carolina General Assembly passed Session Law 2004-129, commonly referred to as Senate Bill 991. This act established a comprehensive, integrated system to manage the State's information technology program. The act requires a systemic process for planning and financing the State's IT resources, standards and accountability measures for IT projects, and standardized procurement procedures to create cost savings.

The act gives the State Chief Information Officer (SCIO) responsibility for:

1. Developing and administering a long-range IT plan,
2. Setting technical IT standards,
3. Reviewing and approving agency IT budget requests and major IT projects,
4. Establishing security standards,
5. Providing for the procurement of IT resources, and
6. Developing a schedule for the replacement or modification of major systems.

The Office of Information Technology Services is responsible for implementing the SCIO's requirements. The SCIO has established processes to accomplish each of these requirements, specifically:

1. Each State agency is required to submit an IT plan every two years, and the submissions are consolidated in a State plan.
2. Technical and security standards have been established
3. The SCIO reviews and approves agency IT budget requests, as well as IT projects that cost more than \$500,000.
4. Procurement processes have been established.
5. IT functions in individual agencies are gradually being consolidated.

The act also provides oversight of the State's IT programs through the Joint Legislative Oversight Committee on Information Technology and the Information Technology Advisory Board (ITAB). The Joint Legislative Oversight Committee on IT is responsible for reviewing current information technology that affects public policy and examining systemwide issues affecting State government information technology. The ITAB is responsible for reviewing and commenting on the State Information Technology Plan and statewide technology initiatives developed by State CIO and on information technology plans of executive agencies. Both entities are now involved in the State's IT planning and development process.

History of North Carolina's Information Technology Effort

Prior to 2004, North Carolina went through a series of efforts to create a statewide information-technology organization. Senate Bill 991 was the culmination of this process. It built on previous attempts to manage State IT programs.

- In 1983, a 13-member Computer Commission was created in the Department of Administration. The Commission's duties included the development of comprehensive five-year plans, updated annually, for the acquisition and use of information technology in the affected departments.

Information Technology Services

- In 1987, the functions and powers related to the administration of information processing services were transferred to the State Controller. In 1989, the State Controller was also given control of telecommunications, and the State Information Processing Services (SIPS) was created in the office of the State Controller. The Computer Commission became a 17-member Information Technology Commission.
- In 1992, the Information Technology Commission became the 12-member Information Resources Management Commission (IRMC). The Commission's duties included the development and approval of a biennial statewide information-technology strategy.
- In 1997, technology-related functions of State government moved from the Office of the State Controller to the Department of Commerce. Cities, counties, and other units of local government were given access to SIPS services.
- In 1999, the State Information Processing Services became the Division of Information Technology Services. The IRMC was required to certify State agency information technology projects costing more than \$500,000 and given the power to suspend project certification. The Joint Legislative Commission on Governmental Operations was given authority to request cutoff of funding for decertified projects. Later in the year, the Office of Information Technology Services (ITS) was created as a division of the Department of Commerce to be managed by the Chief Information Officer. The Information Technology Management Advisory Council was also created.
- In 2000, ITS and the IRMC were transferred to the Office of the Governor. The State Chief Information Officer was to be appointed by the Governor after consultation with the North Carolina General Assembly.

Current Status

Currently, the structure established by SB 991 is in place and functioning. A system has been implemented to ensure proper project oversight and management. Three IT Plans have been submitted, the latest in February 2009. A study of legacy information technology systems was completed, with recommendations incorporated into the 2005-2007 IT Plan. The IT Fund has been established with both appropriated funds and receipts, and cost-sharing has been implemented.

As of February 2009, ITS was monitoring the status of 180 projects. The total cost to the State for these projects was estimated at \$857 million. Selected major projects are listed below.

- **Building Enterprise Access for North Carolina's Core Operation Needs (BEACON) Human Resources/Payroll (Office of the State Controller)**
BEACON is designed to provide management flexibility, increased efficiency, and improved access to personnel and finance information for agencies and employees. It includes an updated human resource/payroll system, data storage, budget management, an accounting system, and tax and revenue capabilities. The first phase, the HR/payroll initiative, was implemented statewide in 2008 and continues to be refined.

Information Technology Services

- **BEACON Data Integration (Office of the State Controller)**
 The Office of the State Controller, in conjunction with the State CIO, is developing a strategic plan to integrate the State's databases to allow agencies and programs to share information. A total of \$10 million was appropriated to support the first two years of this effort, and those funds are being carried forward to continue the effort during FY 2009-10.
- **BEACON Criminal Justice Data Integration Pilot Project (Criminal Justice Law Enforcement Automated Data Services (CJLEADS))**
 The Office of the State Controller, in cooperation with the State CIO and the BEACON Project Steering Committee, is developing a Criminal Justice Data Integration Pilot in Wake County. The Criminal Justice Law Enforcement Automated Data Services, or CJLEADS, will integrate and provide access to current criminal information in a centralized location, using a secure connection. Once full operational capability is achieved in Wake County, the program will be expanded. No new funding was provided for this State fiscal year. The project is to use carryforward funding appropriated during the previous year to continue program development.
- **Medicaid Management Information System (Department of Health and Human Services)**
 The Department of Health and Human Services (DHHS) is replacing its outdated Medicaid claims processing system with a new system that meets current federal requirements. The DHHS has chosen to implement its MMIS with a single contract, developing a componentized, integrated, multi-payer MMIS solution.
- **North Carolina Families Accessing Services through Technology (NC FAST) (Department of Health and Human Services)**
 NC FAST is designed to improve information technology support for the NC Department of Health and Human Services and county Departments of Social Services (DSS), automating and integrating many of the administrative requirements of county DSSs. It is intended to enable workers to spend less time on administrative tasks and more time assisting families. It is being developed to automate every county's Department of Social Services and provide an interface between counties and state-level programs.
- **North Carolina Window of Information on Student Education (NC WISE) (Department of Public Instruction)**
 NC WISE allows the capture and reporting of student information throughout students' K-12 academic careers. It provides real-time access to information, a centralized data analysis capability, automated reporting, and the automatic transfer of information between schools. This will allow the Department of Public Instruction to track a North Carolina student throughout his or her academic career.
- **IT Consolidation Project (Office of Information Technology Services)**
 The IT Consolidation project is intended to implement improvements in information technology investments by focusing on the consolidation of network, data center, security, desktop, and LAN operations and services. The program is designed to

Information Technology Services

ensure that agencies have the appropriate funding and organization to support and sustain the consolidation effort.

- **Tax Information Management System (TIMS) (Department of Revenue)**
The Tax Information Management System is a new, integrated tax system that will replace the current Integrated Tax Administration System (ITAS), as well as a number of smaller systems. TIMS will provide more complete, detailed information to both taxpayers and agency staff. The Department of Revenue is establishing a public-private partnership with the vendor that will base payments to the vendor on increased revenues resulting from the implementation of the new system. An Oversight Committee is to review and approve both the measurement used to determine vendor payments and all contracts associated with the project.

Significant Special Provisions

Session Law 2009-451 Senate Bill 202

Section 6.10 CRIMINAL JUSTICE DATA INTEGRATION PILOT PROGRAM

This provision continues the criminal Justice Data Integration Pilot Program in Wake County, requires the pilot to reach full operational capability within the county, and requires development of a detailed plan to expand the program Statewide. It also requires the Office of the State Controller to identify a State agency to host the program. The program is now known as the Criminal Justice Law Enforcement Automated Data Services, or CJLEADS.

Section 6.14A IMPLEMENT GENERAL SERVICES ADMINISTRATION SCHEDULE FOR STATE INFORMATION TECHNOLOGY PURCHASES

This provision directs ITS to establish procedures to use federal General Services Administration schedules for the purchases of IT goods and services. This will provide another means to reduce the cost of information technology procurements by using the federal government's buying power.

Section 6.18 INFORMATION TECHNOLOGY CONTRACTED PERSONNEL

This provision establishes an approval process for agencies using contractors to support IT functions. It requires agencies to limit the use of contractors for long-term positions, and to report on the number and cost of IT contractors. The intent is to reduce the number of contractors and to convert long-term contractors to State employees, resulting in cost savings to the State.

Information Technology Fund

Budget Code: 24467

	FY 2009-10		FY 2010-11
Beginning Unreserved Fund Balance	\$3,123,737		\$1,418,553
Recommended Budget			
Requirements	\$14,821,416		\$14,821,416
Receipts	\$14,821,416		\$14,821,416
Positions	0.00		0.00

Legislative Changes

Requirements:

NC One Map Program	\$167,549	R	\$167,549	R
Transfers the Department of Environment and Natural Resources' NC One Map program to the Office of the State Chief Information Officer.	\$0	NR	\$0	NR
	2.00		2.00	
Center for Geographic Information Analysis	\$0	R	\$0	R
Transfers the Center for Geographic Information Analysis, including seven (7) positions.	\$0	NR	\$0	NR
	7.00		7.00	
Budget and Performance Management System	\$0	R	\$0	R
Provides \$1,021,985 for the development of a Budget and Performance Management System for the Office of State Budget and Management and provides \$500,000 for the development of a new budget/committee reporting system for the General Assembly's Fiscal Research Division.	\$1,521,985	NR	\$0	NR
	0.00		0.00	
Information Technology Fund Adjustment	\$0	R	\$0	R
Reduces appropriations to reflect adjustments in General Fund receipts and the use of the Unreserved Fund Balance.	(\$5,176,232)	NR	(\$5,921,498)	NR
	0.00		0.00	
Subtotal Legislative Changes	\$167,549	R	\$167,549	R
	(\$3,654,247)	NR	(\$5,921,498)	NR
	9.00		9.00	

Receipts:

Information Technology

2009 Annotated Conference Committee Report

	FY 2009-10		FY 2010-11	
Projected Interest Income	\$100,000	R	\$100,000	R
Increases receipts to reflect projected interest earned.	\$0	NR	\$0	NR
Transfer NC One Map Program	\$167,549	R	\$167,549	R
Adjusts receipts to reflect the transfer of the Department of Environment and Natural Resources' NC One Map program from the Center for Geographic Information Analysis.	\$0	NR	\$0	NR
Information Technology Fund Reduction	(\$5,459,431)	R	(\$6,981,416)	R
Adjusts receipts to reflect revised General Fund appropriations to the IT Fund.	\$0	NR	\$0	NR
Subtotal Legislative Changes	(\$5,191,882)	R	(\$6,713,867)	R
	\$0	NR	\$0	NR
<hr/>				
Revised Total Requirements	\$11,334,718		\$9,067,467	
Revised Total Receipts	\$9,629,534		\$8,107,549	
Change in Fund Balance	(\$1,705,184)		(\$959,918)	
Total Positions	9.00		9.00	
<hr/>				
Unappropriated Balance Remaining	\$1,418,553		\$458,635	

Special Provisions

2009 Session: SB 202

Department: Information Technology Services

Section: 5.3

Title: Information Technology Fund Availability and Appropriation

Summary Identifies the fund sources and uses for the Information Technology Fund. For SFY 2009-10, a total of \$12,753,271 is available, with \$11,334,718 appropriated. In addition to \$5,350,000 for Information Technology Operations and \$4,462,733 for Information Technology Projects, SFY 2009-10 appropriations include \$1,021,985 for a Budget and Performance management system for the Office of State Budget and Management, and \$500,000 for a Budget/Committee Reporting System for Fiscal Research Division. For SFY 2010-11, a total of \$9,526,102 is available, and \$9,067,467 is appropriated.

Section: 6.7

Title: Information Technology Operations

Summary Requires the Office of Information Technology Services (ITS) to develop its budget early enough to allow State agencies to adjust, based on rate changes. Requires the State Chief Information Officer (SCIO) to consult State agencies before implementing enterprise programs and to obtain written agreements from the participating agencies before signing enterprise contracts. Allows ITS to procure information technology goods and services for periods up to three years. Finally, requires agencies to use the State infrastructure to host their projects.

Section: 6.8

Title: Geographic Information Consolidation

Summary Transfers the Center for Geographic Information and Analysis and the North Carolina Geographic Information Coordinating Council to the SCIO and provides funding from the Information Technology Fund to support the transfer.

(S.L. 2009-575, Sec. 3C, amends S.L. 2009-451, Sec. 6.8, by adding new subsection that specifies how the State Chief Information Officer may pay for ESRI Licenses.)

Section: 6.9

Title: BEACON Data Integration

Summary Continues the implementation of the BEACON Data Integration Project in the Office of the State Controller but does not provide new funding.

Section: 6.10

Title: Criminal Justice Data Integration Pilot Program

Summary Continues the criminal Justice Data Integration Pilot Program in Wake County; requires the pilot to reach full operational capability within the county; and requires development of a detailed plan to expand the program Statewide. Also, requires the OSC to identify a State agency to host the program.

Section: 6.11

Title: **University of North Carolina General Administration Bulk Pricing/Purchasing of Information Technology**

Summary Allows the University of North Carolina General Administration to make bulk purchases for all the schools in the system and to utilize the ITS bulk purchasing contracts.

Section: 6.12

Title: **Joint Legislative Oversight Committee on Information Technology/Review and Report on Current Law**

Summary Requires the Joint Legislative Oversight Committee on Information Technology to review State information technology-related legislation and develop recommendations for amendments to current law.

Section: 6.13

Title: **Office of Information Technology Services/Network Integration/Feasibility Study and Coordination Plan**

Summary Directs ITS and the Office of State Budget and Management (OSBM) to study the feasibility of coordinating ITS and MCNC's operations, and if feasible, to develop a plan to accomplish the coordination.

(S.L. 2009-575, Sec. 3A, amends S.L. 2009-451, Sec. 6.13.(b)-(c) to delay the reporting date from October 31, 2009 to January 1, 2010; to add the Office of Information and Technology Services as a participant in the feasibility study; and to delay the due date for the final plan from February 28, 2010 to May 1, 2010.)

Section: 6.14

Title: **Implement General Services Administration Schedule for State Information Technology Purchases**

Summary Directs ITS to establish procedures to use General Services Administration schedules for the purchases of IT goods and services.

Section: 6.16

Title: **Use of Electronic Forms and Digital Signatures**

Summary Directs OSBM to develop a plan to increase the use of electronic forms and digital signatures throughout State government. Requires OSBM to conduct an inventory of forms, develop conversion costs, and create a timetable. ITS is directed to provide technical assistance.

(S.L. 2009-575, Sec. 3B, amends S.L. 2009-451, Sec. 6.16, by clarifying the required components of the plan for converting paper forms to electronic format and by adding the Office of State Chief Information Officer as a party to the inventory process.)

Section: 6.17

Title: **Position Transfer Report/Office of Information Technology Services/Office of State Controller/Office of State Budget and Management**

Summary Requires ITS and OSBM to document the reallocation of positions associated with the consolidation of agencies' IT operations and also requires OSBM and OSC to do the same for positions associated with the implementation of BEACON HR/Payroll.

Section: 6.18

Title: **Information Technology Contracted Personnel**

Summary Establishes an approval process for agencies using contractors to support IT functions. Requires agencies to limit the use of contractors for long term positions and to report on the number and cost of IT contractors.

Section: 6.19

Title: **State Information Technology Infrastructure Consolidation**

Summary Directs OSBM and SCIO to continue the consolidation of the State's IT infrastructure, identify cost savings associated with converting contractors to State employees, and target infrastructure issues that pose significant risk to agency operations or data.

Section: 6.20

Title: **Pilot Program to Allow Public-Private Partnerships to Meet Department of Revenue Technology Needs**

Summary Allows the Department of Revenue to use increased revenues resulting from the implementation of new IT systems to pay for the development and implementation of the systems. Also, establishes a committee to oversee the process.

2009 Session: HB 836

Department: Information Technology Services

Section: 3A

Title: **TECHNICAL CHANGE: Office of Information Technology Services/ Network Integration Feasibility Study and Coordination Plan**

Summary Amends S.L. 2009-451, Sec. 6.13.(b)-(c) to delay the reporting date from October 31, 2009 to January 1, 2010; to add the Office of Information and Technology Services as a participant in the feasibility study; and to delay the due date for the final plan from February 28, 2010 to May 1, 2010.

Section: 3B

Title: **TECHNICAL CHANGE: Use of Electronic Forms and Digital Signatures**

Summary Amends S.L. 2009-451, Sec 6.16 to clarify the required components of the plan for converting paper forms to electronic format and to add the Office of State Chief Information Officer as a party to the inventory process.

Section: 3C

Title: **TECHNICAL CHANGE: ESRI License Funding**

Summary Amends S.L. 2009-451, Section 6.8, to allow the Office of the State Chief Information Officer to use up to \$600,000 to pay for ESRI licenses and prohibits the use of subscription fees to pay for the licenses.

Statewide Reserves

Statewide Reserves

GENERAL FUND

	FY 09-10		FY 10-11	
Adjusted Continuation Budget	\$523,532,442		\$654,263,933	
Legislative Changes				
A. Employee Benefits				
1 Severance Expenditure Reserve				
Provides funding for severance salary continuation payments and non-contributory hospital/medical coverage under the State Health Plan for employees reduced-in-force. (S.L. 2009-451 [SB 202], Section 6.6F)	\$47,957,108	NR		
2 Salary Adjustment Fund	(\$4,500,000)	R	(\$4,500,000)	R
Eliminates funding in the continuation budget for the Salary Adjustment Fund.				
3 State Retirement System Contributions	\$21,000,000	R	\$160,000,000	R
Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2009-11 biennium. (S.L. 2009-451 [SB 202], Section 26.20)				
4 Judicial Retirement System Contributions	\$1,300,000	R	\$1,300,000	R
Increases the State's contribution to the Consolidated Judicial Retirement System for the 2009-11 biennium as recommended by the System's actuary. (S.L. 2009-451 [SB 202], Section 26.20)				
5 State Health Plan	\$132,214,752	R	\$276,179,709	R
Provides additional funding to continue non-contributory health benefit coverage for enrolled active and retired employees supported by the General Fund for the biennium as appropriated in S.L. 2009-16 (SB 287). These appropriations correspond to an annual 8.9% premium increase in non-contributory premium rates for the fiscal year beginning July 1, 2009, and an additional annual premium increase of 8.9% for the fiscal year beginning July 1, 2010.				
B. Other Reserves				
6 IT Initiatives Fund	(\$5,459,431)	R	(\$6,981,416)	R
Reduces funding to the IT Initiatives Reserve to FY 2008-09 levels. Reduction in FY 2009-10 has been adjusted by \$1,021,985 to allow for the funding of a Budget and Performance Management System to replace the current budget preparation and development systems used by the Office of Budget and Management, and by \$500,000 to develop a new budget/committee reporting system for the General Assembly's Fiscal Research Division.				

	FY 09-10		FY 10-11	
7 Convert Some Contract Employees to State Employees	(\$2,500,000)	R	(\$4,000,000)	R
Establishes a reserve for savings from converting some contract employees to State positions.				
8 Administrative Support Reduction	(\$3,000,000)	R	(\$6,600,000)	R
Reduces funding for administrative support across State government.	-75.00		-165.00	
9 Job Development Incentive Grants Reserve				
Reduces the continuation budget to a level based on projected payment schedule.	(\$8,400,000)	NR		
10 Biomedical Research Imaging Center (BRIC)				
Eliminates continuation budget appropriations for the construction of BRIC. Construction of BRIC will be funded with "two-thirds" general obligation bonds.	(\$172,000,000)	NR	(\$45,000,000)	NR
C. Debt Service				
11 Adjust Debt Service Payments	(\$27,981,944)	R	(\$32,304,949)	R
Modifies budgeted debt service payments to correspond to projected payment schedule.				
Total Legislative Changes	\$111,073,377	R	\$383,093,344	R
	(\$132,442,892)	NR	(\$45,000,000)	NR
Total Position Changes	-75.00		-165.00	
Revised Budget	\$502,162,927		\$992,357,277	

Special Provisions

2009 Session: SB 202

Department: Statewide Reserves

Section: 1.1

Title: **Introduction**

Summary Provides that appropriations made within the 2009 Appropriations Act are for the maximum amounts needed to achieve the purposes described in the budget. Also, clarifies that unexpended and unencumbered funds will revert at the end of the fiscal year unless required by law in General Statutes, Session Law, or the 2009 Appropriations Act.

S.L. 2009-575, Section 1.(f) amends total appropriations by increasing the FY 2009-10 appropriation to \$19,010,057,199 and by increasing the FY 2010-11 appropriation to \$19,559,764,576.

Section: 1.2

Title: **Title of Act**

Summary Specifies that S.L. 2009-451 is also known as the Current Operations and Capital Improvements Appropriations Act of 209.

Section: 2.1

Title: **Current Operations and Expansion/General Fund**

Summary Sets forth the FY 2009-10 and FY 2010-11 appropriations for general purpose revenue (also known as General Fund appropriations) enacted during the 2009 legislative session. Appropriations total \$19,003,204,980 for FY 2009-10 and \$19,555,540,945 for FY 2010-11.

Section: 2.2

Title: **General Fund Availability Statement**

Summary Pursuant to G.S. 143C-5-3, this provision sets forth the resources used as the basis for appropriations from the General Fund.

2.2.(a) Provides a detailed listing of estimated General Fund revenues and adjustments to Availability.

2.2.(b)-(c) Specify the amount to be transferred from the Highway Trust Fund to the General Fund, totaling \$108.5 million in FY 2009-10 and \$72.81 million in FY 2010-11.

2.2.(d) Clarifies that the \$50 million appropriation to the Clean Water Management Trust Fund in each year of the biennium is pursuant to G.S. 113A-253.1 and is not in addition to the statutory appropriation made in that statute.

2.2.(e) Clarifies that the appropriations to the State Health Plan in each year of the biennium are pursuant to S.L. 2009-16 and are not in addition to appropriations made in that act.

2.2.(f) Directs the Secretary of Revenue to transfer funds from the Public School Building Capital Fund to the General Fund to offset General Fund expenditures for public schools.

2.2.(g) Sets forth transfers from other funds (including transfers that are necessary due to some other funds being closed and their functions and budgets being transferred to the General Fund) as follows:

- \$4.5 million from the Telecommunications Trust fund
- \$3 million from the Department of Public Instruction's IT Projects Fund
- \$5.5 million from the DPI Special Trust for Teaching Fellows
- \$120,677 from the Computer Loan Revolving Fund
- \$26,336 from the Business and Education Technology Alliance Fund
- \$194,929 from the Grape Growers Council Fund
- \$760,411 from the Credit Union Supervision Fund
- \$259,036 from the Cemetery Commission Fund
- \$10,501,726 from the Commerce Enterprise Fund
- \$12,008,720 from the Utilities Commission/Public Staff Fund
- \$210,240 from the NC Rural Electrification Authority Fund
- \$5,328 from the VRS Geodetic Survey & DOT Fund
- \$230,902 from the ADM Fines & Penalties Fund
- \$1 million from the Nurse Educators of Tomorrow Scholarship Loan Fund

2.2.(h)-(i) Set forth transfers from other funds as follows:

- \$5 million from the Tobacco Trust Fund
- \$5 million from the Health and Wellness Trust Fund.

2.2.(j) Directs the State Controller to transfer \$24,372,701 to the General Fund from the Capital and Repair and Renovation Accounts.

Section: 3.1

Title: **Current Operations and Expansion/Highway Fund**

Summary Sets forth appropriation from the Highway Fund for the Department of Transportation for FY 2009-10 and FY 2010-11, as enacted during the 2009 legislative session.

Section: 3.2

Title: **Highway Fund Availability Statement**

Summary Pursuant to G.S. 145-C-5-3, this provision sets forth the resources used as the basis for appropriation from the Highway Fund to support appropriations for the Department of Transportation. Resources total \$1,736,590,000 for FY 2009-10 and \$1,739,650,000 for FY 2010-11.

Section: 4.1

Title: **Highway Trust Fund Appropriations**

Summary Sets forth the Highway Trust Fund's FY 2009-10 and FY 2010-11 budgets enacted during the 2009 legislative session.

Section: 4.2

Title: **Highway Trust Fund Availability Statement**

Summary Pursuant to G.S. 145C-5-3, this provision sets forth the resources used as the basis for appropriation from the Highway Trust Fund to support appropriations for the Department of Transportation. Resources total \$881,290,000 for FY 2009-10 and \$920,990,000 for FY 2010-11.

Section: 5.1

Title: **Civil Forfeiture Funds**

Summary 5.1.(a) Sets forth the Civil Penalty and Forfeiture Fund revenue collected by various State agencies in support of public schools appropriations. Revenue totals \$156,546,041 for FY 2009-10 and \$138,362,790 for FY 2010-11.

5.1.(b) Directs the University of North Carolina system to remit to the Civil Penalty and Forfeiture Fund all parking fines held in escrow, which total \$18,183,251.

Section: 5.2

Title: **Education Lottery**

Summary 5.2.(a)-(b) Set forth the \$368,070,208 in lottery net proceeds and lottery reserve funding in support of appropriations for the following education programs that benefit students at public schools and postsecondary institutions:

- Teachers in Early Grades
- Prekindergarten Program
- Public School Building Capital Fund
- Scholarships for Needy Students

5.2.(c) Prohibits the North Carolina State Lottery Commission from transferring funds into the Education Lottery Reserve during the 2009-2011 biennium.

Section: 5.3

Title: **Information Technology Fund Availability and Appropriation**

Summary Sets forth a portion of the funds available to support appropriations for the Information Technology Fund. Also, sets forth a portion of the Fund's appropriation for the biennium. (For more information, please see the Information Technology Section of this document.)

Section: 5.4

Title: **Appropriation of Cash Balances**

Summary 5.4.(a) Appropriates all State funds as defined in the State Budget Act (G.S. 143C-1-1(d)(25)) that are included in the budget supplement entitled "North Carolina State Budget, Recommended Operating Budget with Performance Management Information for 2009-2011" and as revised by the General Assembly.

For a listing of legislative adjustments to each government and proprietary fund and selected component units, please refer to the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated August 3, 2009.

5.4.(b) Requires excess receipts collected during a fiscal year to remain unexpended and unencumbered until the subsequent fiscal year or until appropriated by the General Assembly, unless otherwise allowed by the 2009 Appropriations Act or G.S. 145C (the State Budget Act).

5.4.(c) Appropriates funds from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year of the biennium up to the amount required for that purpose.

Section: 5.6

Title: **Other Receipts from Pending Grant Awards**

Summary Waives G.S. 143C-6-4 to allow State agencies to spend grant funds received after S.L. 2009-451 (2009 Appropriations Act) was enacted if the State agencies first consult with the Joint Legislative Committee on Governmental Operations.

Section: 6.1

Title: **Expenditure of Funds in Reserves Limited**

Summary Prohibits the use of funds appropriated specifically into a reserve from being used for any other purpose.

Section: 6.2

Title: **Budget Code Consolidations**

Summary Allows the Office of State Budget and Management to adjust the enacted budget solely to consolidate budget codes and/or to close inactive budget and fund codes.

Section: 6.3

Title: **Budget Realignment**

Summary Waives G.S. 143C-6-4(b) to improve budget accuracy by allowing the Office of State Budget and Management to correctly align authorized positions and associated operating costs with the appropriate purpose or program.

Section: 6.4

Title: **Establishing or Increasing Fees Pursuant to this Act**

Summary Provides authority for State agencies to establish fees that are authorized in the 2009 Appropriations Act.

6.4.(a) Waives G.S. 12-3-1 to allow agencies to implement fee adjustments without prior consultation with the Joint Commission on Governmental Operations as long as the fee was authorized in S.L. 2009-451, the 2009 Appropriations Act.

6.4.(b) waives G.S. 105B-21.1A(a) to allow State agencies to enact emergency rules rather than fulfilling the primary Rule Making process.

Section: 6.6B

Title: **Consultation Required Before Creation of Special Funds**

Summary Requires the Office of State Budget and Management and the Office of the State Controller to consult with the Joint Legislative Commission on Governmental Operations before establishing new special funds as defined in G.S. 143C-1-3.

Section: 6.6C

Title: **American Recovery and Reinvestment Act of 2009 Funds Appropriated**

Summary Appropriates funds received by the State from the 2009 American Recovery and Reinvestment Act (ARRA; Public Law 111-5). Significant provisions are summarized below:

6.6C.(b) Appropriates funds received due to ARRA that are not specifically delineated in the 2009 Appropriations Act; requires the Office of State Budget and Management (OSBM) and State agencies to consult with the Joint Legislative Commission on Governmental Operations before allocating these funds.

6.6C.(c) Waives G.S. 143C-5-2 to allow State agencies to obligate or allocate federal receipts and grants received during the 2008-09 fiscal year.

6.6C.(d) Prohibits State agencies from using federal ARRA funds for recurring purposes unless explicitly permitted in the 2009 Appropriations Act; also, waives the prohibition for teachers and other school personnel hired for the 2009-10 school year.

6.6C.(e) Allows the State Office of Economic Investment and Recovery to use up to \$1 million in ARRA funds for operating expenses during FY 2009-10.

For more information on the American Recovery and Reinvestment Act of 2009, please see the Special Topics section of this document.

(S.L. 2009-575, Sec. 3 amends S.L. 2009-451, Section 6.6C.(d) to expand the exemption for education personnel. The original subsection permitted teachers and other school personnel to be hired with ARRA dollars for the 2009-10 school year; the amended subsection allows teachers and other school personnel plus faculty and other university personnel to be hired with ARRA dollars for the 2009-11 fiscal biennium.)

Section: 6.6E

Title: **Continuation Review of Certain Funds, Programs, and Divisions**

Summary Requires reports on performance and the consequences of continuing, reducing or eliminating funding for the following programs:

- Sentencing Services Program of the Office of Indigent Defense Services - Judicial Department
- Driver's Education Program - Department of Transportation
- Prisoner's Education Program - Community College System
- Parking office - Department of Administration
- Young Offenders Forest Conservation Program (BRIDGE) - Department of Environment and Natural Resources

The State agencies responsible for these programs must provide a final report to the General Assembly by March 1, 2010.

Section: 6.21

Title: **Repayment of Medicaid Funds**

Summary Requires the Director of the Budget to use funds appropriated in the 2009 Appropriations Act to repay outstanding federal Medicaid funds not otherwise repaid in the 2009 Appropriations Act. Further, requires the Director of the Budget to report the to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Fiscal Research Division regarding the amount repaid under this section.

Section:

Title: **SALARIES AND BENEFITS AND INFORMATION TECHNOLOGY SPEFCIAL PROVISION SUMMARIES**

Summary Please note:

All special provision summaries related to State employee salaries, retirement, health care and other benefits, and Information Technology are located in the Salaries and Benefits section of this document.

2009 Session: HB 836

Department: Statewide Reserves

Section: 1

Title: **TECHNICAL CHANGE: Current Operations and Expansion/General Fund**

Summary Amends S.L. 2009-451, Sec. 2.1, to adjust the total General Fund current operations appropriation for FY 2009-10 to \$19,010,057,199 and for FY 2010-11 to \$19,559,764,576.

Section: 1A

Title: **TECHNICAL CHANGE: General Fund Availability Statement**

Summary Amends S.L. 2009-451, Sec. 2.2.(a) to change the detailed listing of estimated General Fund revenues and adjustments to Availability.

Section: 2

Title: **TECHNICAL CHANGE: General Fund Availability Statement**

Summary Amends S.L. 2009-451, Sec. 2.2.(g) to correct the budget code referenced in that section.

Statewide Reserves

Section: 3

Title: **TECHNICAL CHANGE: American Recovery and Reinvestment Act of 2009 Funds Appropriated**

Summary Amends S.L. 2009-451, Section 6.6C.(d) to expand the exemption for education personnel. The original subsection permitted teachers and other school personnel to be hired with ARRA dollars for the 2009-10 school year; the amended subsection allows teachers and other school personnel plus faculty and other university personnel to be hired with ARRA dollars for the 2009-11 fiscal biennium.

Section: 3N

Title: **TECHNICAL CHANGE: Education Lottery**

Summary Amends S.L. 2009-451, Sec. 5.2. by adding language clarifying funding for local school administrative units that did not otherwise qualify for funding in FY 2009-10 and FT 2010-11.

Finance Committee

Committee Summary:

The Finance Committees of the General Assembly consist of 68 members, 30 in the House of Representatives and 38 in the Senate. The Committees are responsible for all bills that impact revenues, including General Fund taxes and fees, as well as revenues impacting other State funds. The Committees also consider legislation affecting revenues for local governments, including property taxation changes.

Committee Membership:

Rep. Paul Luebke, Senior Chair
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Finance Committee

During the most difficult economic crisis in recent history, the House and Senate Finance Committees considered a wide range of legislation. In fact, the Senate Finance Committee developed a tax reform package aimed at restructuring North Carolina's income, sales and franchise taxes. The final tax package incorporated into S.L. 2009-451, the Appropriations Act of 2009, was a compromise agreement consisting of a combination of temporary income surtaxes, a temporary sales tax increase, several excise tax increases, and changes to State law needed to conform to several recent changes in the Internal Revenue Code (IRC). This section describes the tax package in detail and selected legislation enacted, including local government bills. The Finance committees agreed to continue to meet jointly during the Interim to consider tax reform issues.

Significant Special Provisions

Session Law 2009-451, Senate Bill 202

The Appropriations Act of 2009, S.L. 2009-451, increases income, sales and use, alcohol, and tobacco taxes to generate \$990.8 million in FY 2009-10 and \$1,308.5 million in FY 2010-11. The act introduces an income surtax on certain taxpayer's liability and makes additional tax changes, such as, an increase of the State sales tax by one percentage point effective September 2009. Both the income tax surcharge and sales tax increases are set to expire in 2011. The sales tax base will also be widened to include digital downloads and mailed magazine subscriptions. The act increases the following excise taxes: beer by 8/10-cents per can, liquor by 5 percentage points, wine by 4-cents per bottle, cigarettes by 10-cents per pack, and other tobacco products such as snuff or cigars by 2.8 percentage points. Brief descriptions of the act follow:

SECTION 27A.1 CORPORATE AND INDIVIDUAL INCOME TAX SURTAX

Effective 2009 and 2010 tax years, Section 27.A1, S.L. 2009-451 amends G.S. 105-130.3B to institute individual and corporate income surtaxes. Expected to generate \$195.9 million in FY 2009-10 and \$202.6 million in FY 2010-11, the surtaxes will increase the tax liability of all corporate filers and 14 percent of all individual income tax returns. Whether a taxpayer must pay the individual income surtax is contingent on their taxable income, which is income net of North Carolina deductions and exemptions.

The individual income surtax operates as a surcharge on a taxpayer's state income tax liability. For example, if taxable income exceeds \$100,000 for those married filing jointly and \$60,000 for single filers, the taxpayer must pay a surtax in addition to the original tax liability. Married filing jointly (MFJ) taxpayers with North Carolina taxable incomes below \$100,000 and single taxpayers with taxable incomes below \$60,000 are exempt from the surtax. MFJ taxpayers with North Carolina taxable incomes between \$100,000 and \$250,000, as well as single taxpayers with incomes between \$60,000 and \$150,000 will pay a surtax of two percent. MFJ taxpayers with North Carolina taxable incomes greater than \$250,000 and single filers with taxable incomes above \$150,000 will pay a surtax of three percent. Corporations must also pay an additional income tax equivalent to three percent of their tax liability.

SECTION 27A.2 INCREASE SALES AND USE TAX BY ONE PERCENT

This section amends G.S. 105-164.4 to increase the State's general sales and use tax rate increase by one percent, effective September 1, 2009, equaling a State rate of 5.5 percent in September 2009, and 5.75 percent in the months thereafter. The prevalent combined State and local sales tax rate will be 7.75 percent. Set to expire July 1, 2011, lawmakers expect the

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rate increase to generate a total of \$803.5 million in FY 2009-10 fiscal year and \$1.1 billion in FY 2010-11.

SECTION 27A.3 NEXUS CLARIFICATION AND CLICK THROUGHs, USE TAX LINE ON INCOME TAX RETURN, DIGITAL PRODUCTS, MAGAZINES DELIVERED BY MAIL

Section 27.A.3 amends Chapter 105 of the North Carolina General Statutes making four substantial changes to the sales and use tax code as it relates to online purchases: Effective January 1, 2010, the changes are expected to generate approximately \$11.8 million in FY 2009-10 and approximately \$24.1 million in future years.

The first change, the nexus clarification, clarifies when an online retailer is considered to have a brick and mortar presence in the state. As the law, G.S. 105-164.8, currently stands, businesses with a brick and mortar presence in North Carolina are required to remit a sales tax if a sale to a North Carolina resident happens either online or at the physical location of the business. The legislation clarifies that out-of-state retailers should collect and remit sales taxes if the following criteria is met: 1) the retailer solicits or transacts business in North Carolina through an independent contractor, agent, or other representative that resides or has a brick and mortar presence in the State, 2) the independent contractor, agent, or other representative with nexus in North Carolina receives compensation for the sale of the product accessed through their website, and lastly 3) the out-of-state retailer grosses more than \$10,000 annually from purchases placed through the agent with nexus in North Carolina. This change is estimated to generate \$3.8 million in FY 2009-10 and \$8.5 million in FY 2010-11.

The second change defines digital products impacted by the change and subjects these purchases to the sales and use tax. A digital product is defined as a product that can also be accessed in a tangible medium and taxed as the purchase of tangible personal property, but because the good is delivered in a digital format it was not previously taxed. The definition of digital products definition covers a myriad of goods such as music and other audio works, movies, short films, magazines, newspapers, reports, e-books and other publications. Adding digital products to the list of taxable goods is expected to generate \$4.6 million in FY 2009-10 and \$10.4 million in FY 2010-11.

The third change requires that purchasers of digital property remit a use tax equivalent to the sales tax if the product is purchased from a retailer without nexus in the state. Similar to tangible personal property, digital property acquired for non-business purposes and from a vendor without nexus in the state requires that the purchaser remit a use tax. A tax equivalent to the State's combined general rate can be remitted through the North Carolina Individual Income Tax Return. The fiscal impact of this legislative change is unknown.

The last change ensures that computer software and magazines delivered via digital download receive the same tax treatment as magazines and software sold as tangible personal property. Section 27.A.3. removes the sales and use tax exemptions for door-to-door magazine sales under G.S. 105-164.13(28). The provision also modifies the sales and use tax exemption for computer software removing the tax exemption for software delivered electronically or via "load and leave" under G.S. 105-164.13(43a). The modification, however, maintains the sales and use tax exemption for customized software delivered in any format.

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SECTION 27A.4 ALCOHOL EXCISE TAX CHANGES

Subsection A of Section 27.A.4 amends G.S. 105-113.80 to increase excise taxes for beer, wine, and liquor generating a total of \$35.8 million in the FY 2009-10 and \$47.0 million in FY 2010-11. All alcohol tax changes became effective September 1, 2009. The following list highlights the changes and impact of this section:

Beer

- Last increased in 1969
- 53.2-cents per gallon to 61.7-cents per gallon
- Increased to 0.8-cents per can

Wine

- Last increased in 1979
- 21-cents per liter to 26.3-cents per liter (unfortified)
- 24-cents per liter to 29.3-cents per liter (fortified)
- Additional \$3 million in revenue FY 2009-10; \$4 million in FY 2010-11

Spirituosous Liquor

- Last increased in 2001
- 25 percent of purchase price to 30 percent
- Additional \$20.1 million in revenue FY 2009-10; \$26.5 million in FY 2010-11

In addition to increasing the alcohol excise taxes, this section amends the local distribution formula found in G.S. 105-113.82. This formula determines the share of beer and wine tax revenue local jurisdictions receive. The local distribution is adjusted so that the State collects all the additional revenue from the alcohol excise tax increases instead of the new revenue being shared between the State and local jurisdictions. In addition, in the first fiscal year of the 2009-11 Biennium, the State will transfer \$22.1 million of local beer and wine tax revenue into the General Fund.

SECTION 27A.5 TOBACCO PRODUCTS EXCISE TAX CHANGES

Section 27.A.5, of S.L. 2009-451, amends G.S. 105-113.5 and G.S. 105-113.35 to raise the excise taxes on cigarettes and other tobacco products (OTP) by 28 percent. The increase is expected to generate roughly \$38.0 million. This section increases the cigarette tax from 35-cents per pack to 45-cents per pack and the tax on other tobacco products by 2.8 percentage points to 12.8 percent of the purchase price. North Carolina now ranks 42nd in the nation with respect to the cigarette tax according to data provided by the National Conference of State Legislatures. (more info available at:

<http://www.ncsl.org/IssuesResearch/Health/StateCigaretteExciseTaxes/tabid/14349/Default.aspx>).

SECTION 27A.6 IRC CONFORMITY

This section amends Chapter 105 of the North Carolina General Statutes to update North Carolina's reference to the Internal Revenue Code (IRC), the national tax code. The IRC is used as the basis to define certain tax provisions in the North Carolina Income Tax Code. When the Internal Revenue Code is modified, North Carolina lawmakers must decide whether the State will conform to or adopt Federal tax changes. The chart below provides detail on which national income tax changes North Carolina lawmakers have chosen to adopt

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into the State’s income tax system. The act adopts the following Federal income tax law changes:

Heartland, Habitat, Harvest, and Horticulture Act of 2008

- Endangered species recovery expense (new deduction)
- Charitable contributions of real property for conservation purposes (extension thru 2009 of increased deduction)

Heroes Earnings Assistance and Relief Tax Act of 2008

Emergency Economic Stabilization Act of 2008

- Extension of Certain Deductions
- Change to Modified Accelerated Cost Recovery System (MACRS) recovery period and expensing
- Disaster Relief:
 - Contributions to disaster relief
 - Casualty loss relief for families
 - Allow disaster expensing (bonus depreciation 85% add-back)
 - Section 179 expensing

American Recovery and Reinvestment Act: Individual Tax Relief

- Increase in Earned Income Tax Credit
- Temporary Suspension of Taxation of Unemployment Benefits
- Sales Tax Deduction for New Vehicle Purchases
- Transit Benefits Parity

American Recovery and Reinvestment Act: Business Tax Incentives

- Extension of Bonus Depreciation 85% Add-back
- Extension of Enhanced Small Business Expensing
- 5-Year Carryback of Net Operating Loss (NOL) for Small Businesses
- Expansion of Work Opportunity Tax Credit
- Delayed Recognition of Certain Cancellation of Debt Income
- Small Business Capital Relief
- NOL Limitations on Banks Reinstated
- Modification of § 382 Rules for Businesses Receiving TARP Funds

The following table provides the revenue impact of Internal Revenue Code Conformity by fiscal year.

	Internal Revenue Code Conformity (\$ in Millions)				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Impact	(\$116.1)	(\$80.9)	(\$13.0)	(\$4.9)	(\$10.0)

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SECTION 27A.7 STUDY OF NORTH CAROLINA’S SALES AND INCOME TAX STRUCTURE

This section authorizes the House and Senate Finance Committees to meet during the interim “to study and recommend legislation to reform North Carolina’s sales and income tax structure” with the goal of broadening the tax base and lowering the rate.

The following chart highlights the five-year fiscal impact of the Finance Committees’ actions included in the Appropriations Act of 2009.

**Five Year Fiscal Impact of Finance Committee Actions in Appropriations Act
(\$ in Millions)**

Section	Title	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
27.A.1(a)	3% Individual Income Surtax (MFJ>\$250K) and 2% Individual Income Surtax (between \$100K and \$250K MFJ)	172.8	177.1	Sunsets January 1, 2011		
27.A.1(b)	3% Corporate Income Surtax	23.1	25.5	Sunsets January 1, 2011		
27.A.2	1% Rate Increase, expires 7/1/11	803.5	1,061.3	Sunsets July 1, 2011		
27.A.3	Digital products & click throughs, including mailed magazine	11.8	24.1	20.6	21.0	21.3
27.A.4(a)	Beer 8/10-cent per can	12.6	16.6	16.9	17.2	17.5
27.A.4(a)	Liquor 5%	20.1	26.5	27.0	27.5	28.0
27.A.4(a)	Wine 4-cents per bottle	2.9	3.9	3.9	4.0	4.1
27.A.4(b)	Retain part of Beer and Wine Distribution	22.1	Effective only for FY 2009-10			
27.A.5(a)	10-cent cigarette tax	33.3	46.9	47.8	48.6	49.5
27.A.6	2008 & 2009 IRC update (includes unemployment and NOL)	-116.3	-80.9	-13.0	-4.9	-10.0
	TOTAL	\$985.9	\$1,301.0	\$103.2	\$113.4	\$110.4

Additional Legislation

General Fund Revenues

S.L. 2009-54 (SB 575) MODIFY CORPORATE APPORTIONMENT FORMULA

This act amends the income tax apportionment formula for qualifying capital-intensive corporations so that only the sales factor is considered in apportioning multi-state income. The

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act defines a capital-intensive corporation as a corporation whose property factor as a percentage of the sum of the factors in the formula set out in subsection (i) of G.S. 105-130.4, including the doubling of the sales factor, exceeds 75 percent. To qualify for the special apportionment, the corporation must invest at least \$1 billion in property in a tier one or two county in the State within the next nine years after the time construction begins.

According to the North Carolina Department of Revenue, no taxpayers currently meet the criteria established in the bill for a capital-intensive corporation. The Department of Commerce is aware of one prospective company that would potentially qualify and invest up to \$1 billion over a period of nine years. According to estimates from the Department of Commerce, the tax benefits for the company would result in a General Fund revenue loss of approximately \$3 million per year beginning in FY 2011-12, assuming an initial investment of \$250 million in 2011 (some impact could occur in FY 2010-11 if first or second quarter estimated payments are lowered to reflect the modified apportionment formula). If the total property investment reaches \$1 billion, the annual loss would be approximately \$12.5 million annually beginning in FY 2018-19.

S.L. 2009-175 (HB 203) INCREASE SMALL ESTATE AMOUNT

This act amends G.S. 28A-25-1 to increase the value of estates that may qualify as a small estate from \$10,000 to \$20,000 and allows surviving spouses to collect estates valued up to \$30,000. This increases the number of estates that may qualify under the small estate provisions and expedites the collection of properties and debts after the death of the decedent by enabling a greater number of estate executors to file affidavits to collect the property and debts of an estate. These changes will not impact the amount of estate tax collected and therefore has a negligible fiscal impact. Effective October 1, 2009, this bill applies to estates of persons dying on or after that date.

S.L. 2009-233 (HB 511) EMS/FIRE DEPARTMENT SALES TAX REFUND

This act amends G.S. 105-164.14(b) adding (1) volunteer fire departments and (2) volunteer emergency medical services squads, which are also exempt from income tax under the Internal Revenue Code, to the list of nonprofit entities allowed a semiannual refund of sales and use taxes on direct purchases of tangible personal property and services.

Effective for purchases made on or after July 1, 2008, the act will reduce State General Fund availability by \$2.4 million in FY 2009-10 and \$2.5 million in FY 2010-11. Expanding the sales and use tax refund will also lower county and municipal sales and use tax revenue by \$1.0 million during the same period. This amount represents the refund that volunteer fire departments and emergency medical services squads will receive on non-salary, facility, and utility-related operating expenditures.

S.L. 2009-412 (SB 909) SALES TAX RELIANCE ON WRITTEN ADVICE BY DOR

This act adds a new statute, GS 105-164.11, providing that a seller who requests specific written advice from the Secretary of Revenue and collects and remits sale or use tax, in accordance with the written advice, is not liable to a purchaser for any over-collected tax collected in accordance with the written advice. The act reflects a technical change which does not increase or reduce General Fund availability. This act became law August 5, 2009.

S.L. 2009-422 (SB 367) FRANCHISE TAX – OVERBILLING OUT OF CAPITAL BASE

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Under G.S. 105-122, an annual franchise or privilege tax is imposed on foreign and domestic corporations doing business in North Carolina. This act adds a new subdivision (9) to G.S. 105-122(b) regarding a corporation's determination of its capital base. The bill allows companies required to use the percentage of completion method of accounting for construction contracts to treat billing in excess of costs as a definite and accrued liability and will be treated as deductible under this section and a reduction of the capital base.

The act has the potential to impact General Fund revenues. However, according to the Department of Revenue a specific determination was not possible. Currently, the account is either incorrectly included in the liabilities total as definite and accrued, or properly excluded from this amount. Because the exclusion is not specifically reported on the return, it is not possible to quantify the number of taxpayers in compliance with current law.

S.L. 2009-476 (SB 1006) WITHHOLDING ON CONTRACTORS IDENTIFIED BY ITIN

This act requires a person who, in the regular course of a trade or business, pays more than \$1,500 during a calendar year as compensation other than wages to an Individual Taxpayer Identification Number (ITIN) holder to withhold four percent of the payment and remit the withheld taxes to the Department of Revenue. An ITIN holder is defined as a person who is required to have a taxpayer identification number because the individual is not eligible to obtain a social security number.

Based on estimates from the North Carolina Department of Revenue, withholding on ITIN contractors could potentially generate \$15 to \$20 million in additional income tax revenue. Because the effective date is January 1, 2010, the act is effective for only half of FY 2009-10; therefore, it is expected to generate approximately \$8 to \$10 million for the first year.

S.L. 2009-511 (SB 1057) SALES TAX INCENTIVES FOR FLIGHT SIMULATORS

This act expands eligibility for the sales and use tax exemption under G.S. 105-164.13(45). The existing statute allows interstate passenger air carriers to purchase "aircraft lubricants, aircraft repair parts, and aircraft accessories" as well as "aircraft simulators for flight crew training" for use at their hubs as tax exempt items. The change expands the exemption for aircraft simulators to apply to all purchasers of the aforementioned aircraft parts. Expanding the sales and use tax exemption to all purchases of aircraft simulators, represents a \$129,000 annual reduction in General Fund availability. Effective October 1, 2009, this act applies to purchases made on or after that date.

S.L. 2009-524 (SB 898) DEVELOPMENT TIER EXCEPTION MODIFICATION

This act allows a two-county industrial park to be designated as a Tier One project if one of the counties is a Tier One and comprises at least one-fifth of the total area of the park. The law previously required that one-third of the total project be located in the Tier One county.

The existing Article 3J tax credits allow a significantly larger tax credit for jobs created, capital investment and investment in real property in Tier One counties compared to Tier Two or Tier Three counties. The fiscal impact of this change is unknown.

S.L. 2009-548 (HB 512) INCENTIVES FOR ENERGY CONSERVATION

Current tax law awards an income tax credit to any taxpayer who constructs, purchases, or leases renewable energy property and places this property in service inside the state. The credit amounts to 35 percent of the cost of the property (with ceilings for certain technologies). In the

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case of renewable energy property that serves a single-family dwelling, the credit must be taken in the taxable year in which the property is placed in service. For all other renewable energy property, the entire credit must be taken in five equal installments, beginning with the taxable year in which the property is placed in service.

This act extends the sunset of the existing credit found in G.S. 105-129.16A from January 1, 2011 to January 1, 2016. It also expands the credit to include geothermal heat pumps and creates a cap of \$8,400 for geothermal heat pumps installed for residential use. Finally, it enables the credit to be taken against the gross premiums tax. Effective beginning January 1, 2009, the fiscal effect of this law ranges from \$0.42 million to \$1.42 million.

S.L. 2009-559 (SB 777) AFFILIATE LIABILITY FOR OTP EXCISE TAX

Effective July 1, 2009, this act amends G.S. 105-113.4(a) so that sales between corporate affiliates that are not retail dealers do not trigger payment of the Other Tobacco Products (OTP) excise tax. The act allows for manufacturers to transfer OTP among subsidiaries and affiliate companies without incurring the excise tax. It does this by:

- Eliminating the requirement in the definition of integrated wholesale dealer that the affiliate sell its entire product to its affiliate.
- Changing the definition of manufacturer to include a contract manufacturer. This is how the law is currently administered.
- Changing the definition of distributor (for cigarettes) and wholesale dealer (for OTP) to make it clear that a manufacturer who sells to a retail dealer is considered a distributor or a wholesale dealer but not a manufacturer who does not sell to retailers.

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Special Revenue Funds

S.L. 2009-271 (HB 886) ALLOW DIETETICS/ NUTRITIONAL BD./ RECOVER COSTS

S.L. 2009-271 allows the North Carolina Board of Dietetics/Nutrition to recover the costs of disciplinary action against a licensee. According to the Board of Dietetics/ Nutrition, the number and nature of disciplinary issues it will process each year cannot be predicted. While the legislation will result in a revenue increase to the Board, the amount recovered depends on the number and nature of the disciplinary issues processed. Therefore, the revenue amount cannot be determined. This act becomes effective October 1, 2009.

S.L. 2009-333 (HB 1105) AMEND LAWS/ REFRIGERATION CONTRACTORS

S.L. 2009-333 includes additional services that individuals may perform on refrigeration devices without a license and makes clarifying changes to the statutes regarding the State Board of Refrigeration Examiners. Effective July 24, 2009, the fiscal impact of this legislation is negligible.

S.L. 2009-347 (SB 647) AMEND CPA LAWS/PRACTICE PRIVILEGES

Under current law, an individual whose principal place of business is outside of North Carolina may be permitted to perform certified public accountant services in the state if they meet certain conditions and pay an annual fee not to exceed \$50. S.L. 2009-347 amends current law regarding CPA practice privileges so that these individuals would no longer be required to pay this annual fee.

The legislation also prevents the State Board of Certified Public Accountant Examiners from levying a fee from affected individuals outside of the state.

S.L. 2009-367 (HB 746) AMEND PROFESSIONAL COUNSELORS ACT/FEEES

S.L. 2009-367 amends the Professional Counselors Act, G.S. 90-336, increasing the maximum fee charged for new licensure or renewal as a counselor, and the fee for late applications. Counselor licensures and renewal fees upon October 1, 2009 will increase from \$100 to \$200. Likewise, the fee for late applications increases from \$25 to \$75.

The legislation also allows the Department of Justice to provide the criminal history of any applicant for licensure or reinstatement of a license and to charge a fee to offset the cost incurred in conducting the criminal record check. The bill makes changes to the regulatory provisions in the Professional Counselors' Act. The legislation becomes effective October 1, 2009.

S.L. 2009-374 (HB 1523) S.A.F.E. MORTGAGE AND LICENSING ACT

S.L. 2009-374 repeals Article 19A in Chapter 53 of the General Statutes, the North Carolina Mortgage Lending Act, and replaces it with, Article 19B, the Secure and Fair Enforcement Mortgage Licensing Act. This revision allows the state to conform to the requirements of Title V of the Federal Housing and Economic Recovery Act of 2008. The Act requires that any residential mortgage loan originator must be either State or federally registered. States have until August 1, 2009 to conform their statutes to the federal standards. If they do not conform by that deadline, the loan originators in the states not conforming will be subject to the federal registration system.

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S.L. 2009-374 also establishes several licensing fees for different classes of lenders in the state. Many of these fees are established at the same level as previously under the North Carolina Mortgage Lending Act. The act does, however, create a subcategory of mortgage brokers known as “exclusive mortgage brokers.” Under current law, these individuals pay a \$1,250 new license fee and a \$625 license renewal fee. The act would only require licensees to pay \$300 both for new licensure and license renewal. Effective July 31, 2009, these changes are expected to generate an \$80,000 revenue loss in FY 2009-10 and a \$103,000 revenue loss in FY 2010-11.

S.L. 2009-393 (SB 935) AMEND MARRIAGE & FAMILY LICENSURE LAWS/FEEES

S.L. 2009-393 authorizes the Marriage and Family Therapy Licensure Board to raise certain application and licensing fees as well as to institute new fees. The act increases the caps for all fees with the exception of the license examination fee. It also adds fees for duplicate license, annual maintenance of inactive status, and an application to extend an associate license.

The legislation gives the Board the authority to establish fees for the actual cost of duplication services, materials, and returned bank items. S.L. 2009-393 makes all fees charged by the Board nonrefundable. It gives the North Carolina Marriage and Family Therapy Licensure Board the authorization to request background checks on licensees under investigation by the Board. The bill becomes effective October 1, 2009.

S.L. 2009-434 (HB 819) POLYSOMNOGRAPHY PRACTICE ACT

S.L. 2009-434 requires that all individuals who practice polysomnography register with the Secretary of State by January 1, 2012. When filing with the Secretary practitioners must present their certification from the Board of Registered Polysomnographic Technologists (BRPT), a national credentialing organization in this field, and pay a \$50 filing fee. This bill becomes effective October 1, 2009.

S.L. 2009-443 (SB 834) REWRITE SANITARIAN EXAMINERS LAWS/FEEES

S.L. 2009-443 amends G.S. 90A-50 to change the name of the State Board of Sanitarian Examiners to the State Board of Environmental Health Specialist Examiners and amends the names of positions regulated by the Board to correspond with the name change. The legislation adds an administrative fee for those applying for new registration as an Environmental Health Specialist. It raises the maximum fee for transferring registration from another state and raises the maximum fees for renewing a certificate. The act also authorizes a fee for administering an examination. Lastly, the act lowers the maximum per diem for Board members to \$50 (was \$100) and adds three additional members to the Board.

While the act makes adjustments to the maximum fees levied by the Board, they do not plan to charge the maximum in many cases. Effective August 7, 2009, the act results in a total revenue increase, generating between \$21,545 and \$36,545 annually. The amount is contingent on the amount of the examination fee.

S.L. 2009-455 (HB 1103) UPDATE SEED LAW/INCREASE SEED LICENSE FEES.

S.L. 2009-455 makes several changes to North Carolina Seed Law (G.S. 106-277). As outlined, the bill revises definitions and text in order to bring North Carolina Seed Law in compliance with industry standard language. These changes include increasing the testing period for vegetable seed from nine to 12 months and providing related language to be used

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by the industry in seed packaging. The bill extends the testing required for cool season lawn seeds from nine to 15 months. House Bill 1103 increases licensing fees for wholesale or combined wholesale retail seed dealers from \$100 to \$125 and consolidates the three categories of retail seed dealers into one group that pays a licensing fee of \$30. The previous licensing fees ranged between \$5 and \$25. These changes are expected to generate \$70,039 in revenue for the North Carolina Department of Agriculture and Consumer Services starting in the FY 2009-10. S.L. 2009-455 becomes effective October 1, 2009.

S.L. 2009-482 (HB 1637) MODERNIZE PRECIOUS METAL BUSINESS PERMITTING

Under current law, G.S. 66-164 and G.S. 66-165, persons engaging in the business of purchasing precious metals from the public must obtain a permit from local law enforcement agencies and keep records of all transactions to be submitted to the law enforcement agencies on an on-going basis. The requirements currently apply to merchants whose purchases of precious metals from the public are 10 percent or less of his or her total purchases of secondhand items. Pawnbrokers are exempt from these requirements.

S.L. 2009-482 amends these laws by eliminating the 10 percent rule and increasing the fee for a permit from \$10 to \$180 and requires that part of this fee be used to pay for the background checks of store owners. It also increases the fee for registration of an employee from three to ten dollars with an annual renewal fee of three dollars. This act becomes effective October 1, 2009. However, a dealer that is required by the act to be licensed, and who is not required under the current law to be licensed, would not be guilty of engaging in the precious metals business without a license until January 1, 2010. This grace period is provided because there is a 30-day waiting period for issuance of a permit.

S.L. 2009-509 (SB 1007) AMEND HOME INSPECTOR LICENSURE LAWS

S.L. 2009-509 makes certain changes to the licensing requirements for home inspectors. Among these changes, the act phases out the associate home inspector license. The associate home inspector license currently serves as an apprentice program for home inspectors. S.L. 2009-509 provides that the Home Inspector Licensure Board may not accept applications for associate licenses after April 1, 2011 and that the Board may not renew associate licenses after October 1, 2013. Effective August 26, 2009, this change will result in a revenue loss of \$750 starting in FY 2011-12.

S.L. 2009-521 (HB 291) NATURAL HAIR CARE LICENSURE/ COSMETIC ART ACT

S.L. 2009-521 amends G.S. 88B by adding natural hair care to the list of cosmetic arts that are regulated by the Board of Cosmetic Art Examiners. The bill requires the licensure of individuals engaged in the practice of natural hair care and sets up qualifications for this licensure. The bill creates a \$10 license fee for these individuals. S.L. 2009-521 also allows registered barbers to practice barbering in a client's home.

The Board of Cosmetic Examiners does not currently license natural hair care specialists. Therefore, the creation of a new license and fee will result in an increase in revenues for the Board. However, it is impossible to estimate the revenue increase due to the fact that neither the Board nor any association tracks the number of natural hair care specialists in North Carolina.

Finance Committee

The second legislative change, allowing registered barbers to practice in a client's home is not expected to have a substantial fiscal impact. The legislation becomes effective July 1, 2010.

S.L. 2009-557 (SB 1073) AMEND ALARM SYSTEMS LICENSING ACT

S.L. 2009-557 makes various amendments to the Alarm Systems Licensing Act (G.S. 74-D), including allowing the North Carolina Alarm Systems Licensing Board to levy a \$20 late registration fee. This bill becomes effective October 1, 2009.

Local Government Revenue

S.L. 2009-180 (HB 1530) RESCIND ADVANCED PROPERTY TAX APPRAISAL

S.L. 2009-180 validates resolutions adopted by counties between January 1, 2009, and June 30, 2009, to change the schedule of values used to appraise real property for the taxable year beginning July 1, 2009. The legislation addresses three counties that advanced reappraisals to shorter cycles than the eight-year requirement.

S.L. 2009-308 (HB 852) DEFER TAX ON BUILDERS' INVENTORY

This act amends G.S. 105-277.1D to create a property tax deferral program, for a maximum of three years, for the portion of taxes on an unoccupied, unsold residence attributable to the construction of the residence by a builder. The program sunsets for taxable years beginning July 1, 2013.

The legislation is expected to reduce local property tax revenues by \$30 - \$35 million in FY 2010-11. As the housing market improves, the impact is expected to lessen, resulting in a \$7 - \$12 million impact in FY 2011-12, and minimal impacts in subsequent years as the program sunsets and deferred taxes are paid.

S.L. 2009-445 (SB 509) REVENUE LAWS TECHNICAL, CLARIFYING AND ADMINISTRATIVE CHANGES

Senate Bill 509 makes several technical, clarifying and administrative changes to the revenue laws and related statutes. Section 22 (c) widens the definition of who is eligible to receive the existing disabled veteran homestead exclusion by expanding eligibility to include the surviving spouse of a disabled veteran when the veteran's death was the result of a service-connected condition. The section also provides that the term "disabled veteran" includes a veteran whose separation was under honorable conditions (in addition to honorably discharged veterans). The Department of Administration, Division of Veteran Affairs estimates that the definition changes could result in an increase in the number of people eligible for the exclusion of approximately 1,000 individuals. This is expected to reduce local property tax revenues by approximately \$420,000 per year and becomes effective for taxable years beginning on or after July 1, 2009.

S.L. 2009-454 (SB 405) REAL PROPERTY SALES INFORMATION

This act, recommended by the Revenue Laws Study Committee, requires that a deed conveying real property and presented for registration before the register of deeds contain the following information:

- Name of each grantor and grantee
- Mailing address of each grantor and grantee
- A statement whether the property included the primary residence of a grantor.

Finance Committee

This act, effective January 1, 2010, is not expected to have any significant fiscal impact.

Special Topics

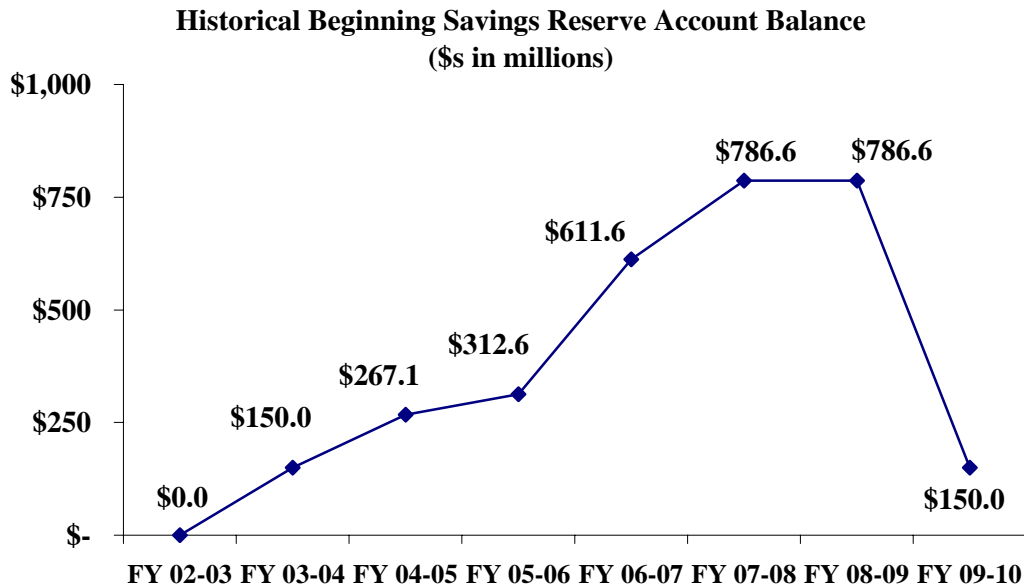
Savings Reserve Account

Legislative History

The State's Savings Reserve Account (Account) emerged as one of several key budget reforms that the General Assembly enacted following the State's 1991 budget crisis. The Account's purpose and use are set forth under Chapter 143C, State Budget Act. Often referred to as the "Rainy Day Fund," the Account represents a segment of the State's unreserved fund balance remaining at the end of the previous fiscal year. The funds are unappropriated by the General Assembly, or in effect "reserved" for unforeseen emergencies such as natural disasters and budgetary crises. The State Budget Act (G.S. 143C-4-2(b)) specifically prohibits use of the funds without direct appropriation by the General Assembly.

To maintain a significant balance in the Account, G.S. 143C-4-2(a), State Budget Act, requires 25 percent of the General Fund unreserved fund balance on June 30 of each year to be credited to the Account. From time to time, the General Assembly will deviate from this policy. When this occurs, language to reserve a different amount or "notwithstanding" the provisions of the State Budget Act is included in the annual appropriations act. Effective July 1, 2007, Section 4-2(c) of the State Budget Act established a goal to accumulate and maintain a balance in the Account of at least 8 percent of the previous year's operating budget.

The following chart shows changes in the Account's balance since FY 2002-03.



As illustrated, the Savings Reserve Account's balance was depleted in FY 2002-03. However, subsequent legislative action to curtail spending, coupled with improvement in the State's economy, helped the General Assembly resume its commitment to build and maintain a healthy balance in the State's emergency reserves through FY 2007-08. This effort was stalled during the 2008 Session when the State's economy began to weaken and spending pressures mounted.

Savings Reserve Account

Executive Action—FY 2008-09

On January 14th, 2009, Governor Perdue issued Executive Order Number 6, "Budget Administration Due to National Economic Slowdown," directing the Office of State Budget and Management (OSBM) to transfer various receipts into the General Fund as necessary to avoid a deficit. Among the actions taken in response to the order was the May 19th (\$200 million) and June 24th (\$186.6 million) "unreserving" of receipts from the Savings Reserve Account, thereby freeing up \$386.6 million in cash needed to help address the State's revenue shortfall.

Legislative Action—2009 Session

S.L. 2009-215 (SB 311)

The State Budget Act stipulates that the Savings Reserve Account is available for expenditure only upon an act of appropriation by the General Assembly. Session Law 2009-215, Sec. 7(a) (SB 311), was enacted on June 30, 2009, appropriating funds from the Savings Reserve Account as needed in FY 2008-09 to balance the budget, thereby retroactively authorizing actions already taken by the Governor via Executive Order Number 6.

S.L. 2009-16 (SB 287)

Session Law 2009-16 (Senate Bill 287), appropriated funds from the Savings Reserve Account and enacted various changes to the State's Health Plan (Plan). The act appropriated \$250 million into the Plan's special fund to cover a shortfall in funds needed to pay benefit claims and administrative costs for the duration of the FY 2008-09 and to provide the Plan with an adequate beginning cash balance for the subsequent fiscal year, beginning July 1, 2009. For additional information on changes made to the Plan, please see to the Salaries and Benefits Section of this document.

The following table summarizes the history of legislative actions affecting the Savings Reserve Account.

Savings Reserve Account

Savings Reserve Account History G.S. 143C-4-2

<u>Fiscal Year</u>	<u>Beginning Balance as of June 30</u>	<u>Legislative Action (Earmark or Appropriation)</u>	<u>Authorized or Mid-year Adjustments</u>	<u>Ending Balance as of July 1</u>
1990-91	0	141,000,000	(141,000,000)	0
1991-92	0	41,593,253	0	41,593,253
1992-93	41,593,253	134,332,565	0	175,925,818
1993-94	175,925,818	155,678,246	(121,000,000)	210,604,064
1994-95	210,604,064	213,005,569	0	423,609,633
1995-96	423,609,633	77,342,029	0	500,951,662
1996-97	500,951,662	0	0	500,951,662
1997-98	500,951,662	21,568,899	0	522,520,561
1998-99	522,520,561	0	(200,000,000)	322,520,561
1999-00	322,520,561	967,311	(285,965,824)	37,522,048
2000-01	37,522,048	120,000,000	0	157,522,048
2001-02	157,522,048	90,000,000	(247,522,048)	0
2002-03	0	150,000,000	0	150,000,000
2003-04	150,000,000	116,666,064	391,343	267,057,407
2004-05 ¹	267,057,407	199,125,000	(153,541,447)	312,640,960
2005-06 ²	312,640,960	321,941,718	(5,790,087)	628,792,591
2006-07 ^{3,4}	628,792,591	175,000,000	(17,142,913)	786,649,678
2007-08	786,649,678	0	0	786,649,678
2008-09 ^{5,6,7}	786,649,678	(250,000,000)	(386,649,678)	150,000,000

¹ February 2005, \$153,541,447 appropriated pursuant to S.L.2005-1 (SB 7) Hurricane Recovery Act of 2005.

² Earmarking as per G.S. 143-15.3; a subsequent adjustment was made by the Office of Budget and Management and Office of the State Controller to reflect actual, year-end reversions.

³ S.L. 2006-66, (SB 1741), Sec. 2.2(g) created the Reserve for Motor Fuels Tax Ceiling and authorized a transfer of \$22,933,000 from the Savings Reserve Account.

⁴ Technical correction made by the Office of Budget and Management and Office of the State Controller of \$5,790,087.

⁵ S.L. 2009-16 (SB 287) appropriated \$250 million to the State Health Plan (see Salaries and Benefits Section).

⁶ Executive Order #6 directed transfers of receipts to cover the FY 2008-09 revenue shortfall; \$386,649,678 from the Savings Reserve Account was unreserved for this purpose.

⁷ S.L. 2009-215 (SB 311) retroactively appropriated funds used by the Governor in FY 2008-09 to cover the revenue shortfall. from the Savings Reserve Account

History of North Carolina’s State Revenue Shortfalls and Budget Gaps

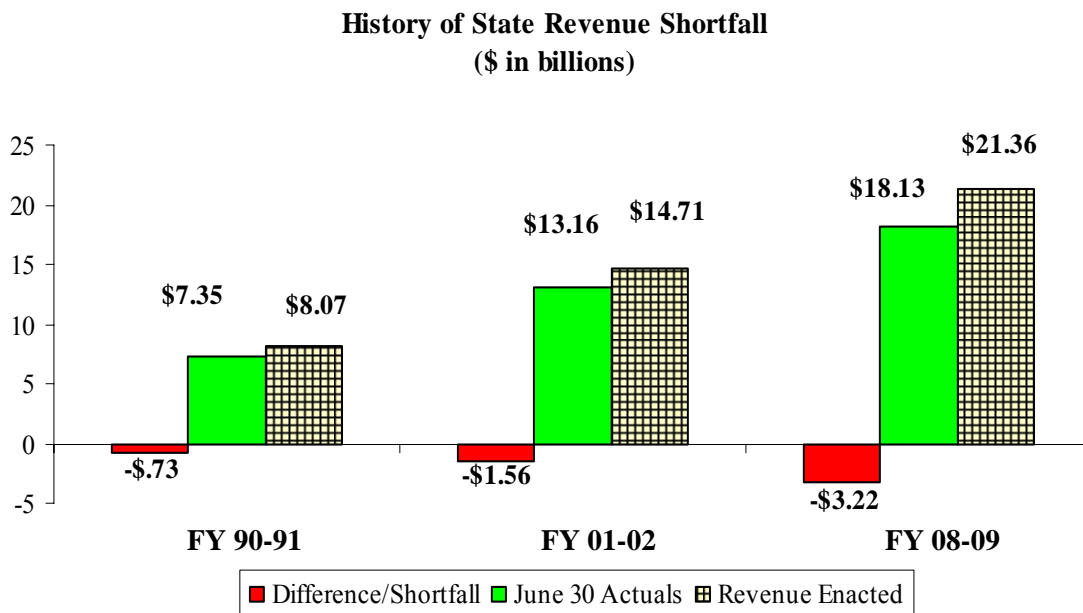
Introduction

During the 2009 legislative session, North Carolina and most other states faced fiscal challenges not seen since the Great Depression of the 1930s. The State’s FY 2008-09 revenue shortfall and its 2009-2011 fiscal biennium budget gap are the most recent in a series of periodic fiscal struggles. This section examines the State’s revenue shortfalls and budget gaps over the past two decades.

Each budget gap and revenue shortfall has challenged the General Assembly and Governor to fulfill their mandated duties. Specifically, the State constitution divides the burden of financial responsibility between the Executive and Legislative branches as follows:

- It places the responsibility for maintaining a balanced budget with the Governor.¹ As such, if revenues fall short of projected spending during a fiscal year, the Governor must take the necessary steps to ensure the State’s operating budget remains balanced.
- It places the authority of appropriation with the General Assembly.² Thus, in times of budget gaps, when projected revenues are less than projected spending needs, the General Assembly must act.

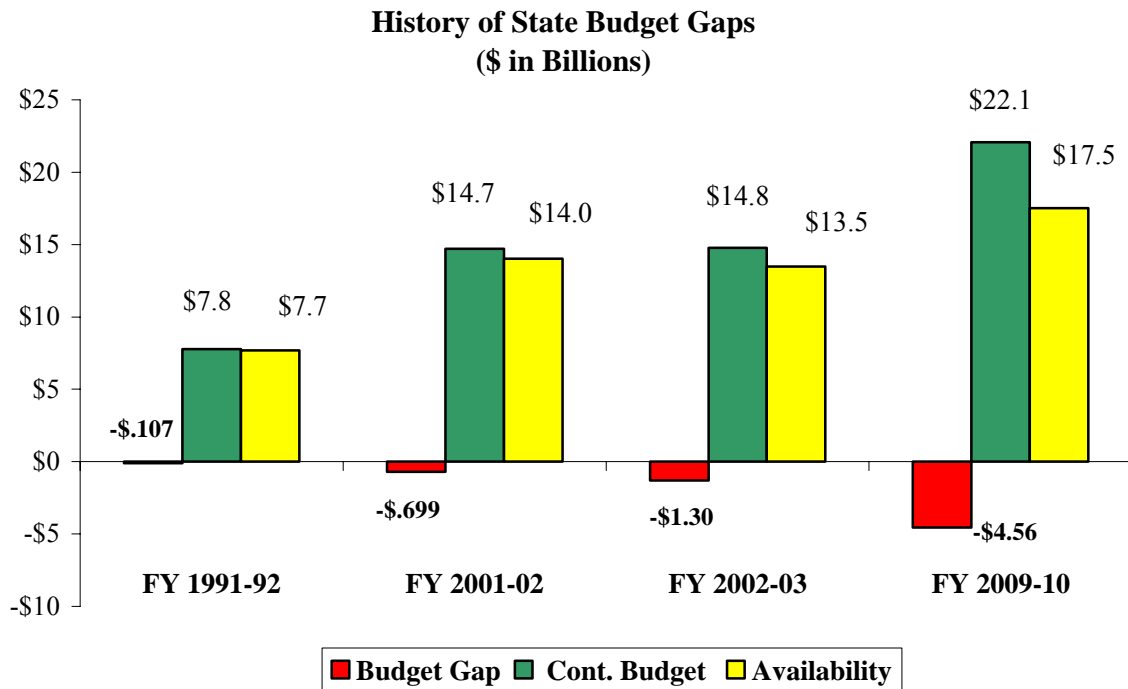
Over the last twenty years, North Carolina experienced three major revenue shortfalls and multiple budget gaps; the magnitude of these is shown on the following two graphs.



¹ NC Constitution, Article III, Section 5(3).

² NC Constitution, Article V, Section 7.

History of North Carolina’s State Revenue Shortfalls and Budget Gaps



1989-1991 Financial Challenges

At the close of the 1989-1990 Legislative Sessions, the General Fund Outlook for the recently enacted biennial State budget was described as the "tightest since the 1980s."³ The nation had weathered two back-to-back recessions⁴ in the early 1980s, creating serious state budget gaps. However unlike many states, North Carolina's financial challenges were felt more heavily in expenditures rather than revenues. Specifically, long-term fiscal and institutional changes in government were sharply increasing costs:

- Medicaid program expansions - coverage for pregnant women and children and increased provider rates
- State prisons – 1989 consent decree mandated major operational changes
- Basic Education Program (S.L. 1985-479, Senate Bill 1) – enacted a major education initiative requiring a standard course of study.

³ Source: Overview: Fiscal and Budgetary Actions, North Carolina General Assembly 1989 Session and 1990 Session, Fiscal Research Division of the North Carolina General Assembly

⁴ National Bureau of Economic Research, Inc.

History of North Carolina’s State Revenue Shortfalls and Budget Gaps

Although many states were experiencing declines in tourism and exports revenue resulting from the buildup to the Persian Gulf war, North Carolina had not yet experienced the magnitude of revenue losses reported elsewhere in the country. Nonetheless, the State's revenue situation was slowing, largely due to:

- Congressional budget action – capital gains tax relief enacted late in the year
- Judicial rulings in federal courts – retirement tax changes
- State Tax Reform - in particular S.L. 1989-728, The Tax Fairness Act of 1989 (Senate Bill 51).

Legislative Action: 1990 Session

When the General Assembly convened for its 1990 short session, Governor James Martin (Republican) was busy addressing a projected current year revenue shortfall estimated at \$464 - \$500 million. To partially close the shortfall, State agencies were required to reduce spending. The General Assembly also enacted S.L. 1989-813, Utility Tax Payment/Appropriate Local Share (House Bill 2377), which provided \$209.3 million in additional revenue for FY 1989-90.

In addition, the General Assembly enacted S.L. 1989-1066, which reduced the FY 1990-91 budget (enacted during the 1989 Session), by \$227.7 million. The following significant long-term budget policies were also enacted:

- Resolution 76, Long-Term Budget Availability (Senate Joint Resolution 1632):
 - Requiring executive and legislative staffs to conduct long-term or four-year projections on the General Fund and tax and spending bills
 - Formalizing the legislative/executive consensus revenue estimating process
- S.L. 1989-1066, 1990 Appropriations Act:
 - Establishing the Budget Stabilization Reserve
 - Creating the Joint Legislative Commission on Future Strategies for North Carolina – addressing long-term funding issues

Executive Action: FY 1990-91 Revenue Shortfall

The first major revenue shortfall occurred during Governor Martin’s second term. In 1991 the State was confronting a budget shortfall approaching \$700 million. The tables that follow illustrate the magnitude of the final revenue loss and its impact on spending as compared to the budget enacted by the General Assembly just six months earlier.

Availability/Revenue	FY 1990-91	Appropriations	FY 1990-91
Availability (SL 1989-500)	8,074,600,000	Exp. (SL 1989-1066)	8,074,600,000
Actual Collections ⁵	7,347,300,000	Actual Expenditures ⁶	6,445,510,386
June 30, Revenue Shortfall	\$ 727,300,000	Reversions⁷	\$ 629,089,614
	(9.0%)		(7.8%)

⁵ Actual collections do not include measures taken by Governor to reduce the revenue shortfall.

⁶ Total expenditures include appropriations for Savings Reserve Account, Capital Improvements and Clean Water Management Trust Fund.

⁷ Total includes agency reversions and \$84.9 million in reversions from Statewide Reserves.

History of North Carolina's State Revenue Shortfalls and Budget Gaps

As illustrated above, most of the FY 1990-91 shortfall was covered by reducing spending; the balance was addressed by moving cash balances into the General Fund. The following provides additional detail on the measures used:

- Forced agency reversions
 - Instituted hiring freeze & curtailed other spending
 - Deferred public schools' 12th pay period until FY 1991-92 (\$106 million)
 - Withheld funds from Retirement System (\$57.4 million)
 - Withheld funds for capital projects (\$100.9 million)
 - Transferred \$141 million from the Budget Stabilization Reserve
 - Withheld funds from Local Government Shared Revenue/Reimbursements Reserve (\$31.4 million)
- Defunded \$35.2 million of prior years' capital projects
- Transferred \$47.5 million of balances from Special Funds into the General Fund

Legislative Action: 1991 Session

When the General Assembly convened in January 1991, the national economy had been in recession for six months⁸ and the nation had been preparing for the Persian Gulf War for about five months. In contrast to previous descriptions of the General Fund Outlook, legislative staff summarized the FY 1991-92 budget picture as the "the largest General Fund budget shortfall since the Depression of the 1930s."⁹

The General Assembly enacted a series of budget and finance measures that focused on addressing the State's long-term budget needs, and:

- Reduced the Governor's Recommended FY 1991-92 Budget by \$336 million
- Enacted \$616.9 million in revenue adjustments
- Increased Sales and Use Tax: \$432 million
- Adjusted Corporate Income Tax: \$92 million
- Increased Income Tax: \$61 million
- Increased Tobacco Products taxes: \$20.5 million
- Adjusted Miscellaneous taxes: \$11.4 million

On July 13, 1991, the General Assembly enacted S.L. 1991-689, the 1991 Appropriations Act (House Bill 83), which enacted the State's first comprehensive approach to fiscal policy. Major initiatives included:

- Establishing the Joint Select Fiscal Trends and Reform Commission to:
 - review and analyze long-term fiscal trends
 - identify factors that contributed to the financial problems of the State
 - recommend measures to avoid a recurrence of those problems

⁸ National Bureau of Economic Research, Inc, <http://www.nber.org/cycles>, Business Cycle Expansions and Contractions

⁹ Source: Overview: Fiscal and Budgetary Actions North Carolina General Assembly 1991 Session and 1992 Session, Fiscal Research Division of the North Carolina General Assembly

History of North Carolina’s State Revenue Shortfalls and Budget Gaps

- Mandating a performance audit of the executive branch of State government (known as GPAC)
- Establishing the requirement for General Fund Availability Statement to be included in the appropriations act;
- Establishing a limit on the size of General Fund operating budget and limited growth in second year appropriations to 2 percent; and
- Formalized the Savings Reserve or "Rainy Day" Account by earmarking one-fourth of unreserved fund balance remaining in the General Fund at the end of each fiscal year.

2001-2002 Financial Challenges

Many of the events leading up to the State's 2001-03 budget crises began before 2001. The first, a 1998 Consent Order signed in June 1998, required the State to pay \$799 million under a settlement agreement to reimburse certain retirees for the taxation of retirement benefits.¹⁰ Next, Hurricane Floyd (the State's worst natural disaster) hit in early September 1999, causing an estimated \$6 billion in damage in eastern North Carolina. The General Assembly, called into extra session by Governor Jim Hunt in December 1999, appropriated \$837 million to underwrite the recovery.¹¹ The combination of these unforeseen situations, along with the State’s continual loss of manufacturing jobs and the 2001 recession, set the stage for a series of financial challenges during the 2001-03 Biennium.

Executive Action: FY 2000-01 Revenue Shortfall

The first of the major revenue crises during this period occurred during FY 2000-01. In February, a little more than 30 days into his new administration, Governor Mike Easley (Democrat) issued one of his first executive orders¹² aimed at balancing the State's operating budget. The tables that follow illustrate the magnitude of the revenue loss and its impact on spending as compared to the budget enacted by the General Assembly during the 2000 session, just six months earlier.

Availability/Revenue	FY 2000-01	Appropriations	FY 2000-01
Availability (SL 2000-67)	\$14,050,116,932	Exp. (SL 2000-67)	\$14,050,116,932
Actual Collections ¹³	<u>13,348,418,932</u>	Actual Expenditures ¹⁴	<u>13,445,510,386</u>
June 30, Revenue Shortfall	\$ 701,698,000	Reversions¹⁵	\$ 604,606,546
	(5%)		(4.3%)

¹⁰ North Carolina Administrative Office of the Courts, <http://www.aoc.state.nc.us/www/public/sc/opinions/2000/056-00-2.htm>

¹¹ Legislative Study Commission on Disaster Response and Recovery, May 2002

¹² Executive Order #3, issued February 8, 2001.

¹³ Actual collections do not include measures taken by Governor to reduce the revenue shortfall.

¹⁴ Total expenditures include appropriations for Savings Reserve Account, Capital Improvements and Clean Water Management Trust Fund.

¹⁵ Total reversions include \$39.5 million in repairs and renovations funds.

History of North Carolina’s State Revenue Shortfalls and Budget Gaps

In order to bring the spending into line with projected revenues, Governor Easley took the following measures:

- Forced agency reversions totaling \$565.1 million
- Withheld funds for capital projects
- Refunded \$21.2 million of prior years' capital projects
- Transferred \$140.6 million of balances from other funds into the General Fund

Legislative Action: 2001 Session

With the FY 2000-01 revenue shortfall resolved, the General Assembly focused on recurring measures to address the budget gap. In September 2001, it enacted a \$14.5 billion budget that closed an estimated \$700 million budget gap with the following actions:

- Reduced contributions to the Retirement System by \$241 million
- Increased Availability by \$698.5 million:
 - Sales and Use Tax - \$246.3 million
 - Closure of Certain Tax Loopholes- \$61.3 million
 - Tax Accelerations - \$112.1 million
 - Miscellaneous revenue - \$153.3 million

In addition, the General Assembly directed that \$181.8 million in new availability be reserved as part of the Savings Reserve Account, bringing the total to \$339.3 million.

Executive Action: FY 2001-02 Revenue Shortfall

The second major crisis occurred just one year later, when the State experienced a \$1.6 billion revenue shortfall, forcing Governor Easley to issued another executive order that rescinded the 2001 order and implemented budget measures to close a revenue shortfall twice the size as the previous shortfall.¹⁶ The tables that follow illustrate the magnitude of the revenue loss and its impact on spending as compared to the budget enacted by the General Assembly during the 2000 Session.

Availability/Revenue	FY 2001-02	Appropriations	FY 2001-02
Availability (SL 2001-424) ¹⁷	\$14,712,823,000	Exp. (SL 2001-424)	\$14,530,345,843
Actual Collections	<u>13,157,805,000</u>	Actual Expenditures	<u>13,741,135,020</u>
June 30, Revenue Shortfall¹⁸	\$ 1,555,018,000 (10.6%)	June 30, Reversions	\$ 789,210,823 (5.4%)

In order to bring the spending into line with projected revenues, Governor Easley took the following measures:

- Forced agency reversions totaling \$789.2 million
- Withheld \$125 million in funds for repairs and renovations

¹⁶ Executive Order #1, issued February 5, 2002.

¹⁷ Total Availability includes \$181.8 million reserved but not appropriated to the Savings Reserve Account.

¹⁸ Shortfall recorded as \$1.2 billion due to \$350 million in transfers of balances from special funds.

History of North Carolina's State Revenue Shortfalls and Budget Gaps

- Unreserved \$239.3 million in Savings Reserve Account
- Transferred approximately \$350 million of balances from other funds into the General Fund

Legislative Action: 2002 Session

Following the worst revenue shortfall in the State's history, the General Assembly amended the FY 2002-03 budget previously enacted to bring spending in line with revenue. The following is a list of measures used by the General Assembly to close the budget gap:

- Reductions of \$430.7 million
- Retirement Rate Adjustment - \$144.6 million
- Refinancing of Debt Service - \$97.8 million
- Closure of 3 State Prisons

The revised consensus revenue estimate for FY 2002-03 was \$1.2 billion less than the 2001 estimate. In order to address the decline in Availability, the following adjustments were enacted totaling \$866.2 million:

- Increased Corporate Tax (\$70 million)
- Adjusted Miscellaneous Tax (\$85.1 million)
- Repealed of Local Tax Reimbursements (\$333 million)
- Increased Transfers from Highway Trust Fund (\$205 million)
- Diverted Funds from Tobacco MSA Fund (\$78 million)
- Increased Agency Fees (\$39.2 million)
- Transfers from Other Funds (\$20.4 million)

2008-2009 Financial Challenges

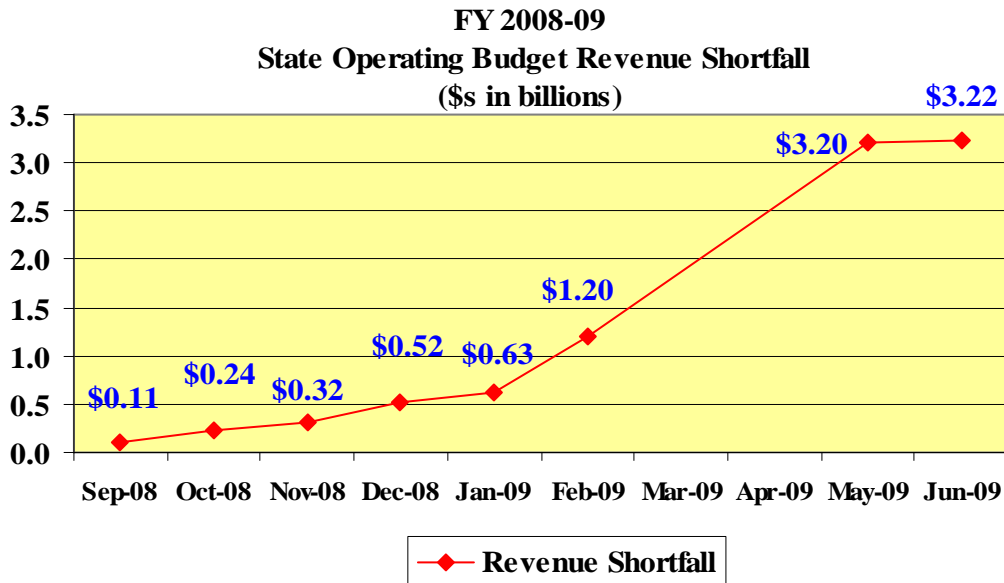
After four years of relative fiscal stability and economic growth, NC began to experience recession-like budget pressures. The nation's worst and longest recession, which began in December 2007, was already affecting other states' revenues. The National Conference of State Legislatures (NCSL) reported, in June 2008, that 20 states were experiencing persistent revenue problems totaling \$12.8 billion.¹⁹ However, North Carolina was not among the 20. By late 2008, the picture had changed dramatically. The first formal report of the State's budget problems came in a General Fund Revenue Outlook²⁰ that reported a \$110 million decline in NC's revenues.

¹⁹ Source: State Budget Update June 2008; National Conference of State Legislatures

²⁰ General Fund Revenue Report and Economic Outlook; September 2008; Fiscal Research Division, North Carolina General Assembly.

History of North Carolina’s State Revenue Shortfalls and Budget Gaps

By December 2008 that number would exceed \$500 million – the fiscal year ended with an unprecedented \$3.2 billion revenue shortfall, the largest on record. The chart that follows illustrates the progression of the FY 2008-09 revenue decline:



Executive Action: FY 2008-09 Revenue Shortfall

When Governor Beverly Perdue (Democrat) took office in January 2009, the State already had a projected \$500 million revenue shortfall. In response, Governor Perdue quickly issued Executive Order Number 6 implementing tighter restrictions on spending than those imposed by her predecessor, Governor Easley.

The tables and information that follow illustrate the magnitude of the revenue loss (as compared to the budget enacted by the General Assembly during the 2008 Session) and highlights the budget measures used to avert a deficit.

Availability/Revenue	FY 2008-09	Appropriation	FY 2008-09
Availability (SL 2008-107)	\$21,355,967,434	Exp. (SL 2008-107)	\$21,355,967,434
Actual Collections ²¹	<u>18,133,051,364</u>	Actual Expenditures ²²	<u>19,652,478,574</u>
June 30, Revenue Shortfall	\$ 3,222,916,070 (15.09%)	Reversions	\$ 1,703,488,680 (7.98%)

²¹ Actual collections do not include measures taken by Governor to reduce the revenue shortfall.

²² Total expenditures include appropriations for Savings Reserve Account, Capital Improvements and Clean Water Management Trust Fund.

History of North Carolina’s State Revenue Shortfalls and Budget Gaps

Governor Perdue took the following measures to address the revenue shortfall:

- Forced agency reversions totaling \$1.4 billion
- Instituted hiring freeze & curtailed other spending
- Reduced encumbrances and carryforwards
- Withheld payments for non-profits & capital
- Used Savings Reserve Account (SL 2008-215) - \$386.6 million
- Used federal ARRA funds - \$996.2 million
- Transferred balances from other Funds - \$457.5 million:
 - Clean Water Management Trust Fund - \$115 million
 - Health & Wellness and Tobacco Trust Funds
 - Lottery Contingency Fund - \$50 million

Legislative Action: 2009 Session

By the time the 2009 General Assembly convened in late January, the State revenue picture had worsened - actual revenue collections were down \$630 million. The March 2009 consensus revenue estimate for FY 2009-10 was \$18.9 billion, \$3.2 billion less than Governor Perdue's Recommended Continuation Budget. The final consensus revenue estimate was issued in May, revising the number to \$17.5 billion, creating an unprecedented \$4.6 billion budget gap as illustrated below.

Availability/Revenue	FY 2009-10	Appropriations	FY 2009-10
Consensus Revenue ²³	\$18,861,500,000	Revised Rev. ²⁴	\$17,516,400,000
Gov's Rec'd Cont. Budget	<u>22,075,170,781</u>	Gov's Recd. Budget	<u>22,075,170,781</u>
 Budget Gap	 -3,213,670,781 (-14.6%)	 Budget Gap	 -4,558,770,781 (-20.7%)

After months of deliberations and negotiations, the General Assembly closed the budget gap by making significant adjustments including \$1.4 billion in availability enhancements and \$1.7 billion in budget reductions.

²³ March 2009 Consensus Revenue Estimate

²⁴ May 2009 Revised Consensus Revenue Estimate

History of North Carolina's State Revenue Shortfalls and Budget Gaps

The following highlights the General Assembly's actions:

Budget Adjustments

- Reducing agency budgets by \$1.7 billion including:
 - Education - \$688.4 million
 - Medicaid - \$505.3 million
 - Clean Water Management Trust Fund - \$50 million
 - Position Eliminations totaling 2,136 FTEs - \$116 million
- Closing 7 State prisons - \$22.3 million
- Using \$1.4 billion in American Recover and Reinvestment Act of 2009 funds to offset certain expenditures (For more information on the American Recovery and Reinvestment Act of 2009, see Special Topics section.)

Availability Adjustments

- Increased Sales and Use Tax - \$803.5 million
- Increased Individual Income Surtax - \$172.8 million
- Amended Corporate and Excise Tax - \$91.9 million
- Transferred Tobacco MSA Funds - \$10 million
- Increased Agency Fees - \$55.8 million
- Directed Department of Revenue Tax Collection Initiatives - \$210 million



American Recovery and Reinvestment Act of 2009

Background

When President Obama took office in January 2009, the nation had already seen a meltdown in the sub-prime mortgage industry including the collapse of large financial institutions such as Bear Stearns, Lehman Brothers and others. These events had a debilitating effect on parts of the financial markets worldwide that froze the credit markets and sent the global, national and state economies reeling.

The United States response to this global crisis was to enact several initiatives including the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5). The Act, commonly referred to as "Stimulus," followed other economic recovery legislation passed in the final year of President Bush's administration including the Economic Stimulus Act of 2008 which included tax rebates for US taxpayers and tax incentives to stimulate business investments, and the Emergency Economic Stabilization Act of 2008 which created the Troubled Assets Relief Program (TARP) commonly referred to as the bank "bail out," to allow the US Department of the Treasury to purchase troubled financial assets. The acts, worth \$787 billion in new spending and tax cuts, are to slow the economy's downward spiral and help the nation recover from the nation's deepest recession in decades.

The ARRA was designed to save and create more jobs and; help states close their budget shortfalls. Specifically, the purpose of ARRA is:

1. To preserve and create jobs and promote economic recovery.
2. To assist those most impacted by the recession.
3. To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
4. To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
5. To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

PL. 111-5 funds are to be distributed nationally to state and local governments and non-profit entities using three distinct funding methods: direct grants, competitive grants, and tax law changes. To help slow the recession, create jobs, and help state and local governments manage worsening fiscal conditions, funds are available via existing Federal programs and guidelines used to distribute federal funds. ARRA guidelines include specific time constraints for when funds must be spent or obligated. The State's projected share of ARRA funds is approximately \$5.88 billion¹ through September 2011.

Key Categories of ARRA Funds

¹ Source: NC Office of Economic Recovery and Investment; this amount does not include funding that will flow directly to non-state entities such as local governments and federal institutions within the State.

American Recovery and Reinvestment Act of 2009

ARRA includes two key funding streams for states, the State Fiscal Stabilization Fund and increased federal matching under the existing Medicaid Federal Medical Assistance Percentages (FMAP).

State Fiscal Stabilization Fund (SFSF):

The SFSF program is a one-time appropriation of \$53.6 billion (nationally) administered by the U.S. Department of Education by formula (based on a state's relative population aged 5-24 years and its total population). These funds are intended to help stabilize state and local government budgets in order to minimize layoffs and disruptions in education and other essential public services. North Carolina's SFSF allocation totals \$1.4 billion and must be spent by September 30, 2011.

Each state is required to use 81.8 percent of its SFSF towards primary, secondary, and post-secondary education. States are required to restore funding for the next three state fiscal years, to the greater of state fiscal year 2008 or 2009 levels. North Carolina was required to restore funding to FY 2008-09 levels. The remainder of the SFSF, 18.2 percent, is directed toward other public services including public safety.

Medicaid Federal Medical Assistance Percentages (FMAP):

ARRA provides a temporary increase to states in the federal share of Medicaid costs. Each state's increase in FMAP is based on the increase in unemployment percentages for each quarter. To receive increased FMAP funds, a state must not have more restrictive eligibility requirements than were in place on July 1, 2008. The temporary FMAP increase is effective from October 1, 2008 until December 31, 2010. North Carolina qualified for the maximum increase, raising its FMAP from 64.6 percent to 74.5 percent for FY 2009-10.

2009 Legislative Session

During the 2009 Legislative Session, the Senate and House Select Committees on Economic Recovery were appointed to review ARRA funding and make recommendations for legislative action if necessary. A considerable amount of committee time was spent discussing the Governor's authority to expend ARRA funds during the 2008-09 Fiscal Year without an appropriation from the General Assembly. The Governor, as Director of the State Budget, may make limited adjustments to the enacted budget under G.S. 143C-6-4(a). The limits of the Governor's power of adjustments to an enacted budget are set forth in G.S. 143C-6-4(b), and considerable debate was heard on whether the Governor exceeded statutory authority in expending ARRA funds during the enacted 2008-09 Fiscal Year Budget. S.L. 2009-215 resolved this issue by retroactively authorizing the expenditure of ARRA funds.

Appropriation of ARRA Funds: FY 2008-09, S.L. 2009-215

In response to an unprecedented State revenue shortfall, \$996.2 million of ARRA funds were used in FY 2008-09 to help eliminate the State's projected operating budget deficit. S.L. 2009-215 authorized the State to use ARRA funds during FY 2008-09, appropriating amounts as determined by the State. The table that follows reflects the actual expenditure of ARRA funds by State agencies during FY 2008-09.

FY 2008-09

Community College System

42,213,454

American Recovery and Reinvestment Act of 2009

University of North Carolina	84,749,517
Department of Correction	150,722,086
Administrative Office of the Courts	66,585,556
<u>Department of Health and Human Services-Medicaid</u>	<u>651,921,441</u>
Total	\$996,192,054

In addition to these funds, other ARRA funds were obligated or allocated during FY 2008-09. The State Department of Transportation allocated \$735.5 million in ARRA funds for projects already included in the State's Transportation Improvement Plan. The NC Department of Environment and Natural Resources allocated an additional \$69.4 million for various water projects via the State's existing Clean Water and Drinking Water State Revolving Fund Loan Programs and the Department of Public Instruction allocated \$3.3 million to local schools via the School Lunch Equipment Assistance program.

American Recovery and Reinvestment Act of 2009

Appropriation of ARRA Funds: FY 2009-11, S.L. 2009-451

A total of \$1.4 billion of ARRA funds is appropriated to supplant or back-fill General Fund spending for FY 2009-10 and \$1.0 billion for FY 2010-11. Section 6.6C of S.L. 2009-451, also appropriates ARRA funds not expressly mentioned in the 2009 Appropriations Act, by requiring any State agency that receives additional ARRA funds to consult with the Joint Legislative Commission on Governmental Operations prior to use of the funds. Additionally, unless specifically authorized to do so, State agencies are prohibited from using ARRA funds for recurring purposes. School teachers, university and other State employees are allowed to be hired on a time-limited and temporary basis in order to meet the requirements of ARRA

The tables that follow provide the distribution of ARRA funds for the FY 2009-11 Biennium by appropriations subcommittee. The table below provides a list of all ARRA funds used to supplant or back fill the State's General Fund.

<u>Appropriations by Subcommittee</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
Education		
DPI – Stabilization	379,668,352	373,281,648
UNC – Stabilization	137,815,944	144,202,648
Health & Human Services		
Early Intervention	2,700,000	2,700,000
Immunizations	500,000	0
Older/Blind Americans	260,590	260,590
Vocational Rehabilitation	201,170	201,170
Home & Community Care Block Grant	1,384,392	0
Foster Care	2,840,235	1,452,537
Child Support	2,214,542	0
Medicaid FMAP	857,352,497	502,565,621
Justice & Public Safety		
Dept of Correction – Stabilization	12,926,135	12,926,135
Total	\$1,397,863,857	\$1,037,590,349

American Recovery and Reinvestment Act of 2009

In addition to the \$1.4 billion in ARRA funds used to balance the State's 2009-11 Biennial Budget, a total of \$507.2 million over two years was appropriated to increase funding for various programs as outlined in the following table:

Other ARRA Funds Appropriated	FY 2009-10	FY 2010-11
Health & Human Services		
Child Care Subsidy & Quality Initiatives	67,543,134	
Senior Community Service Equipment	621,560	
Weatherization Assistance Program	131,954,536	
Justice & Public Safety		
Governor's Crime Commission (Byrne-JAG Program)	23,880,000	
Natural & Economic Resources		
Air Quality	1,215,320	1,209,080
Aquaculture Grants	797,772	
Clean Water State Revolving Loan Fund	46,864,550	23,864,550
Community Development Block Grant	12,080,614	
Drinking Water State Revolving Loan Fund	43,750,000	21,875,000
Employment Security Commission	14,647,397	
Leaking Underground Storage Tanks (LUST)	3,777,000	3,777,000
NC Biofuels Center – State Energy Program	4,000,000	
NC Green Business Fund-State Energy Program	5,000,000	
The Emergency Food Assistance Program (TEFAP)	776,812	
Wildfire Management	6,408,000	
Workforce Investment Act	79,827,136	
General Government		
Gov's Office of Economic Recovery	1,000,000	
Other		
Coastal Sounds Wind Turbine Demonstration – State Energy Program	300,000	
State Energy Office/Repairs & Renovation	12,000,000	
Total	\$456,443,831	\$50,725,630

North Carolina State Lottery

Legislative History

The creation of a State-run lottery has been proposed repeatedly in recent decades. In the 1983 Session, Senate Bill 275 proposed a lottery whose net revenues would be dedicated to education programs. The Economic Future Study Commission, appointed to review the State’s most pressing fiscal issues, recommended the creation of a State lottery to raise revenue in its 1991 formal report. Lottery bills were introduced in nearly every legislative session of the succeeding decade. In 2005 the General Assembly enacted S.L 2005-344, the State Lottery Act. The Act created both the Lottery and the North Carolina State Lottery Commission that governs its operation.

Lottery Commission and Program Structure

The State Lottery Commission has nine members. Five members are appointed by the Governor, two by the President Pro Tempore of the Senate, and two by the Speaker of the House of Representatives. The Commission selects the games to be offered, and regulates advertising according to statutory restrictions.

Several types of revenue-generating games are administered by the Lottery Commission. Instant games, or “scratch-off” tickets, accounted for 62 percent of lottery sales during FY 2008-09. Ticket sales for “North Carolina PowerBall,” a multi-state jackpot game, accounted for 16 percent of sales during the same period. Three daily numbers games, ”Pick 3,” “Pick 4,” and “Cash 5,” made up the remaining 22 percent of sales.

The Commission has 237 full-time positions and its budget is housed within the Department of Commerce. The following table provides a breakdown of the Certified Budget for the Lottery Fund for FY 2009-10 and FY 2010-11.

State Lottery Fund (54641-Enterprise Fund)	Certified	Certified
	FY 2009-10	FY 2009-10
Expenditures		
Lottery Prizes and Prize Tickets	706,697,757	706,697,757
Retailer Commission	85,883,048	85,883,048
Commission/Administration	59,923,678	59,923,678
Total	\$852,504,483	\$852,504,483
Total Gross Sales & Other Receipts	\$1,220,574,691	\$1,220,574,691
Revenue	1,220,574,691	1,220,574,691
Less Lottery Expenses	(\$852,504,483)	(\$852,504,483)
Net Revenue Available for Transfer to Education Lottery Fund	\$368,070,208	\$368,070,208

Source: North Carolina Education Lottery

North Carolina State Lottery

Education Program Funding

Pursuant to G.S 18C-162, at least 35 percent, to the extent practicable, of total annual Lottery revenue is to be transferred into the Education Lottery Fund. Of the Education Lottery Fund balance, a portion may be credited to a contingency account and the remainder is distributed as prescribed in G.S 18C-164(c) as follows:

- 50 percent for More at Four, an academic prekindergarten program, and Class Size Reduction, an initiative to maintain low class sizes in grades K-3.
- 40 percent for Public School Construction to support local school construction needs. 65 percent of this total is distributed to each local school administrative authority based on total school enrollment. The remaining 35 percent of this total is distributed to local school administrative authorities with average effective county property tax rates above the State average.
- 10 percent for Education Lottery Scholarships, which are earmarked for needy students attending North Carolina colleges and universities.

In addition to the funds discussed above, \$50 million as directed in G.S. 18C-164(b) has been held in the Education Lottery Reserve Fund for contingencies.

The following table displays the actual expenditures (and 2009-10 projected expenditures) made for each of the Lottery-supported education programs.

Expenditures for Lottery-Supported Education Programs
(\$ in millions)

Education Programs	Actual FY 2007-08 Expenditures	Actual FY 2008-09 Expenditures	Certified FY 2009-10 Appropriations
Class Size Reduction (CSR)	90.4	110.2	99.4
More at Four Prekindergarten	84.2	84.5	84.6
Public School Construction	140.0	162.3	147.3
Needy Student Scholarships	35.1	33.6	36.8
Total	\$349.7	\$390.6	\$368.1

Executive Branch Action—FY 2008-09

In Executive Order #6 (“Budget Administration Due to National Economic Slowdown”) Governor Perdue took several actions affecting the net Education Lottery proceeds as part of her plan to address North Carolina’s budget shortfall. As mentioned above, \$50 million was held in the Education Lottery Reserve Fund for contingencies. The Governor reallocated this \$50 million in February 2009 to increase overall statewide budgetary availability. These repurposed funds were not specifically used for education programs. The Governor also ordered that Public School Construction proceeds of \$37.6 million (from the 2nd quarter of FY 2008-09) be repurposed for expenditure on other education programs. After the conclusion of the fiscal year, the Governor

North Carolina State Lottery

ordered the funds be replenished and counties ultimately received the \$37.6 million for Public School Construction. The Governor also transferred \$16.6 million into the Education Lottery Reserve Fund at the close of the fiscal year. When combined with the interest generated by the Fund, its balance stood at \$18.1 million at year's end.

Legislative Action—2009 Session

Some changes were made to the distribution of Lottery proceeds in the 2009 session. S.L. 2009-451 (Current Operations and Capital Improvements Appropriations Act of 2009) appropriated Lottery proceeds to education programs and made a modification to the Education Lottery Reserve Fund. Section 5.2(c) of the Appropriations Act overrides G.S. 18C-164 and requires that the Lottery Commission shall not transfer any funds to the Reserve Fund throughout the biennium. G.S. 18C-164 requires that an amount equivalent to 5 percent of the prior year's net Lottery revenues be transferred into the Reserve fund until it reaches \$50 million. The FY 2009-10 transfer amount would have been approximately \$20.2 million if the requirement was not overridden by the Appropriations Act.

Section 3N of S.L. 2009-575 (Modify Appropriations Act) also modified the distribution of net Lottery revenues throughout the biennium. It required that any excess net Lottery revenues realized above the \$368,070,208 appropriated for the Education Lottery Fund shall be distributed on a per-pupil basis to those school districts that do not qualify for the "35 percent pot" of school capital funding. The 35 percent pot benefits only those districts judged to have an above-average tax effort per the requirements in G.S. 115C-546.2. A similar provision was included in S.L. 2008-107 (Current Operations and Capital Improvements Appropriations Act of 2008).

See the following pages for the FY 2008-2009 NC Education Lottery Expenditures by County Table.

Fiscal Year 2008-09 NC Education Lottery Expenditures by County

COUNTY NAME	Class-Size Reduction		Sch. Capital Funding ¹	More at Four		Scholarships		TOTAL EXPENDED
	Teachers	Expenditures		Expenditures ²	Slots ³	Number	Spending	
Alamance County	31.35	1,700,549	2,561,544	1,139,391	236	503	540,319	5,941,803
Alexander County	7.89	427,985	636,503	307,252	64	145	165,826	1,537,566
Alleghany County	2.20	119,337	178,595	174,109	36	42	45,877	517,918
Anson County	5.57	302,139	456,672	419,911	87	78	84,437	1,263,159
Ashe County	4.47	242,471	370,807	414,790	86	108	123,414	1,151,482
Avery County	3.06	165,987	252,194	266,285	55	71	85,816	770,282
Beaufort County	10.16	551,119	809,808	465,998	96	164	170,218	1,997,143
Bertie County	3.96	214,806	342,672	409,669	85	67	72,073	1,039,220
Bladen County	7.49	406,288	610,958	701,558	145	125	128,539	1,847,343
Brunswick County	16.87	915,096	1,339,629	1,093,304	226	270	296,765	3,644,794
Buncombe County	40.18	2,179,524	3,319,021	852,623	176	666	748,483	7,099,651
Burke County	18.52	1,004,599	1,592,384	1,203,402	249	469	510,111	4,310,496
Cabarrus County	49.36	2,677,484	3,659,217	1,295,578	268	561	590,515	8,222,794
Caldwell County	17.89	970,425	1,480,186	404,548	84	357	397,341	3,252,500
Camden County	2.90	157,308	223,947	84,494	17	28	31,368	497,117
Carteret County	10.52	570,647	931,348	491,603	102	201	226,494	2,220,092
Caswell County	4.35	235,961	358,539	222,757	46	68	71,523	888,780
Catawba County	34.84	1,889,860	2,848,847	916,634	190	663	771,476	6,426,817
Chatham County	11.65	631,943	883,744	696,437	144	119	135,755	2,347,879
Cherokee County	4.75	257,659	411,430	320,054	66	95	103,212	1,092,355
Chowan County	3.34	181,175	273,689	145,945	30	40	48,162	648,971
Clay County	2.00	108,488	156,201	112,659	23	35	36,390	413,738
Cleveland County	22.32	1,210,726	1,887,003	1,293,017	268	433	481,478	4,872,224
Columbus County	13.38	725,784	1,062,902	1,108,666	229	188	218,462	3,115,814
Craven County	21.50	1,166,246	1,649,438	578,657	120	325	344,110	3,738,451
Cumberland County	71.80	3,894,719	5,940,772	5,095,256	1,055	1,194	1,423,627	16,354,374
Currituck County	5.37	291,290	457,571	122,901	25	47	55,739	927,501
Dare County	6.55	355,298	542,200	276,526	57	93	104,574	1,278,598
Davidson County	37.24	2,020,047	2,987,603	1,054,897	218	467	495,095	6,557,642
Davie County	9.06	491,451	758,492	522,328	108	117	141,922	1,914,193
Duplin County	13.73	744,770	1,011,359	658,031	136	166	166,702	2,580,862
Durham County	49.67	2,694,299	3,699,393	1,085,622	225	755	861,308	8,340,622
Edgecombe County	10.44	566,307	838,957	1,080,501	224	222	218,818	2,704,583
Forsyth County	74.59	4,046,060	5,827,674	1,838,389	381	1,080	1,253,170	12,965,293
Franklin County	12.16	659,607	970,510	230,439	48	140	146,009	2,006,565
Gaston County	43.75	2,373,175	3,660,007	2,473,375	512	674	731,546	9,238,103
Gates County	2.55	138,322	224,959	125,461	26	25	26,402	515,144
Graham County	1.69	91,672	134,932	151,065	31	30	33,970	411,639
Granville County	11.61	629,773	1,006,409	384,065	80	190	210,572	2,230,819
Greene County	4.79	259,829	378,796	312,372	65	63	67,465	1,018,462
Guilford County	97.23	5,274,144	8,127,234	5,686,715	1,177	1,962	2,129,697	21,217,790
Halifax County	11.96	648,759	959,817	698,997	145	202	231,004	2,538,577
Harnett County	26.60	1,442,890	2,108,247	844,942	175	287	302,085	4,698,164

Fiscal Year 2008-09 NC Education Lottery Expenditures by County

COUNTY NAME	Class-Size Reduction		Sch. Capital Funding ¹	More at Four		Scholarships		TOTAL EXPENDED
	Teachers	Expenditures		Expenditures ²	Slots ³	Number	Spending	
Haywood County	10.91	591,802	899,612	327,735	68	209	240,223	2,059,372
Henderson County	18.76	1,017,617	1,485,023	504,405	104	273	302,440	3,309,485
Hertford County	4.39	238,131	369,793	409,669	85	56	56,973	1,074,566
Hoke County	12.48	676,965	848,747	1,085,622	225	128	139,123	2,750,457
Hyde County	0.86	46,650	72,134	64,011	13	12	13,177	195,972
Iredell County	36.92	2,002,688	3,098,789	860,304	178	468	548,756	6,510,537
Jackson County	5.42	294,002	424,824	163,868	34	122	138,025	1,020,719
Johnston County	45.94	2,491,969	3,546,345	1,211,083	251	380	422,858	7,672,255
Jones County	1.73	93,842	140,332	199,714	41	41	41,543	475,431
Lee County	13.77	746,940	1,085,409	791,173	164	212	225,005	2,848,527
Lenoir County	12.52	679,135	1,084,171	632,426	131	310	348,516	2,744,248
Lincoln County	16.20	878,753	1,390,382	509,526	105	218	257,258	3,035,919
Macon County	6.08	329,804	498,983	353,339	73	175	189,494	1,371,620
Madison County	3.69	200,160	297,320	115,219	24	78	81,085	693,784
Martin County	5.69	308,648	458,134	302,131	63	33	27,221	1,096,134
McDowell County	9.26	502,299	744,877	471,119	98	97	108,575	1,826,870
Mecklenburg County	200.10	10,854,224	15,258,186	4,782,883	990	2,486	2,690,827	33,586,120
Mitchell County	3.06	165,987	247,467	107,538	22	59	75,620	596,612
Montgomery County	6.59	357,468	501,236	558,174	116	94	95,064	1,511,942
Moore County	16.24	880,923	1,387,793	133,142	28	242	265,790	2,667,648
Nash-Rocky Mount	24.29	1,317,587	1,997,963	722,041	149	304	328,633	4,366,224
New Hanover County	34.02	1,845,381	2,707,163	1,695,005	351	673	739,381	6,986,930
Northampton County	3.84	208,297	306,998	366,141	76	72	69,466	950,902
Onslow County	35.12	1,905,049	2,698,724	1,705,246	353	480	530,337	6,839,356
Orange County	24.45	1,326,266	2,103,972	734,843	152	249	298,997	4,464,078
Pamlico County	1.69	91,672	168,803	176,670	37	24	23,396	460,541
Pasquotank County	8.99	487,654	693,446	273,966	57	133	147,791	1,602,857
Pender County	11.14	604,278	917,842	512,086	106	138	153,739	2,187,945
Perquimans County	2.67	144,831	211,681	184,351	38	48	66,554	607,417
Person County	7.69	417,136	627,275	312,372	65	175	175,182	1,531,965
Pitt County	32.29	1,751,539	2,614,886	1,456,885	302	759	883,819	6,707,129
Polk County	3.61	195,821	284,830	248,362	51	47	57,573	786,586
Randolph County	33.31	1,806,868	2,654,047	860,304	178	431	465,068	5,786,287
Richmond County	10.63	576,614	897,249	660,591	137	168	153,262	2,287,716
Robeson County	34.96	1,896,370	2,685,896	2,854,879	591	497	542,798	7,979,943
Rockingham County	19.73	1,070,234	1,612,864	727,162	151	290	318,283	3,728,543
Rowan-Salisbury	28.13	1,525,884	2,476,804	862,865	179	525	595,495	5,461,048
Rutherford County	13.11	711,139	1,087,774	824,458	171	300	291,548	2,914,919
Sampson County	17.46	947,100	1,309,017	957,601	198	226	219,325	3,433,043
Scotland County	9.53	516,945	762,094	768,129	159	125	113,670	2,160,838
Stanly County	12.60	683,474	1,071,793	931,997	193	222	239,139	2,926,403
Stokes County	9.34	506,639	820,499	555,613	115	156	182,026	2,064,777

Fiscal Year 2008-09 NC Education Lottery Expenditures by County

COUNTY NAME	Class-Size Reduction		Sch. Capital Funding ¹	More at Four		Scholarships		TOTAL EXPENDED
	Teachers	Expenditures		Expenditures ²	Slots ³	Number	Spending	
Surry County	15.78	855,971	1,312,171	693,877	144	322	353,680	3,215,699
Swain County	2.43	131,813	212,805	215,076	45	48	57,788	617,482
Transylvania County	4.94	267,965	425,612	168,988	35	67	74,285	936,850
Tyrrell County	0.78	42,310	64,596	46,088	10	13	14,362	167,356
Union County	57.83	3,136,931	4,434,929	1,418,478	294	547	602,514	9,592,852
Vance County	11.06	599,939	863,040	391,746	81	177	207,821	2,062,546
Wake County	204.14	11,073,604	15,707,092	3,249,186	673	2,190	2,660,494	32,690,375
Warren County	3.34	181,175	304,635	227,878	47	58	61,277	774,965
Washington County	2.67	144,831	230,248	222,757	46	46	53,607	651,443
Watauga County	5.69	308,648	508,662	273,966	57	174	211,942	1,303,218
Wayne County	27.62	1,498,219	2,178,921	1,751,334	363	460	488,453	5,916,927
Wilkes County	14.63	793,590	1,140,665	1,154,754	239	280	299,509	3,388,518
Wilson County	18.24	989,411	1,425,267	486,482	101	256	291,305	3,192,465
Yadkin County	8.16	442,631	687,594	463,438	96	107	123,321	1,716,984
Yancey County	3.30	179,005	282,804	115,219	24	56	53,366	630,394
Unknown ⁴						107	113,178	113,178
DPI ⁵				3,959,982				3,959,982
Total	2,031.1	110,176,846	162,262,428	84,575,121	16,687	30,178	33,557,825	390,572,219

¹ The FY 2008-09 Budget directed that net proceeds realized above the \$405.2 million appropriation are directed for school capital.

² More at Four (MAF) was funded in 2008-09 by a combination of \$84.6 million in Lottery proceeds and \$86.0 million in General Fund monies. Of that amount, \$157.8 million was expended. \$84.6 million was expended from Lottery proceeds, with \$80.6 million used by the counties for costs associated with MAF slots (a difference of \$4.0 million)

³ MAF Slots associated with Lottery proceeds were calculated by applying the percentage of Lottery-funded county expenditures as a percentage of all MAF slots (53%). The cost of the average slot in FY 2008-09 was \$5,000.

⁴ NCSEAA determines county of residence by a recipient's zip code. In some cases, this information is insufficient to determine the correct county.

⁵ DPI More at Four expenditures support state-level program administration, training and program evaluation.

Glossary

Glossary

Appropriation: An action by the General Assembly authorizing withdrawal of funds from the State treasury pursuant to Article V, Section 7 of the North Carolina Constitution. An enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is not an appropriation.

Authorized Budget: The working budget composed of the certified budget plus allowable budget revisions and adjustments approved by the Office of State Budget and Management through its statutory authority or acting on behalf of the Governor under the Governor's Constitutional role and authority as Director of the Budget.

Biennium: The two fiscal years beginning on July 1 of each odd-numbered year and ending on June 30 of the next odd-numbered year.

Capital Improvements: One-time appropriations for new construction, rehabilitation of existing facilities and repairs, and real property acquisition.

Carryforward: Funds appropriated, but unspent, in the first fiscal year of a biennium that are brought forward for expenditure in the succeeding year.

Certificates of Participation (COPs): Certificates or other instruments delivered by a special corporation as provided in this Article evidencing the assignment of proportionate and undivided interests in the rights to receive payments to be made by the State pursuant to one or more financing contracts.

Certified Budget: The budget as enacted by the General Assembly, including adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes directed by the General Assembly but left to the Director to carry out.

Contingency and Emergency Fund: A special reserve which the Director of the Budget may expend for emergencies or other unanticipated needs with approval by the Council of State and as authorized by G.S. 143C-4-4.

Continuation Budget: The part of the State budget necessary to continue the current level of services when adjusted for inflation; mandated rate increases such as social security, annualization of programs, and operation of new facilities.

Continuation Review: A budget review initiative, authorized in S.L. 2007-323, Section 6.21 and S.L. 2008-107, Section 6.7, which (1) requires specified agencies whose funding was eliminated to provide written reports and (2) authorizes the Appropriations Committees of the Senate and the House of Representatives to review those reports to determine whether to restore any of the funding for those programs.

Current Operations: Cost associated with the daily activity of programs supported by the State, such as salaries, utilities, and travel; does not include capital improvements or repairs and renovation costs.

Glossary

Debt Service Funds: Accounts established for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deficit: A budget deficit occurs when required expenditures exceed available revenue.

Departmental Receipts: Fees, licenses, federal funds, grants, fines, penalties, tuition, and other similar collections or credits generated by State agencies in the course of performing their governmental functions that are applied to the cost of a program administered by the State agency or transferred to the Civil Penalty and Forfeiture Fund pursuant to G.S. 115C-457.1 and that are not defined as tax proceeds or nontax revenues. Departmental receipts may include funds transferred into a fiscal year from a prior fiscal year.

Disproportionate Share (DSH) Funds: DSH funds are Medicaid payments made to health care providers who deliver services to large numbers of uninsured patients.

Entitlements: Payments or benefits granted by law to individuals or political subdivisions.

Encumbrance: A financial obligation created by a purchase order, contract, salary commitment, unearned or prepaid collections for services provided by the State, or other legally binding agreement.

Enterprise Fund: A fund that accounts for any activity for which a fee is charged to non-state entities for goods or services and for which that fee provides the principal source of revenue.

Expansion Budget: The part of the State budget which provides for new programs, expansion of existing programs, and salary and benefit increases.

Fiscal Note: A formal fiscal estimate, including a brief statement of costs and revenue impact, for the first five fiscal years the legislation would be in effect. As per G.S. 143C-2-3, a State agency proposing a bill that affects the State budget must prepare a fiscal analysis for the bill and submit the analysis to the Fiscal Research Division upon introduction of the bill.

Full Time Equivalent (FTE): A unit used to quantify staffing. One FTE (1.0) is a full year, 40-hour-per-week position.

Fund: A fiscal and accounting entity with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, and changes therein, for the purpose of carrying on stated programs, activities, and objectives of State government.

General Fund Operating Budget: The sum of all appropriations from the General Fund for a fiscal year, except appropriations for (i) capital improvements, including repairs and renovations, and (ii) one-time expenditures due to natural disasters or other emergencies.

General Fund: The fund to which revenues are deposited that are not designated for special purposes and are therefore available to support the general operations of State government.

Glossary

General Obligation Bond: Bonds used for funding permanent public capital improvements such as buildings and roads. The repayment of these bonds is made from the levy of taxes; and voter approval is required by the NC Constitution.

General Purpose Revenue: Revenue, derived primarily from taxes and various fees which are not required by law to be deposited into a fund other than the General Fund and are not designated for special purposes.

Highway Fund: The special revenue fund to which revenues are deposited that are designated for transportation-related operations and capital improvements.

Highway Trust Fund: A special revenue fund established in 1989 for the completion of certain specified highway construction projects.

Internal Service Fund: A fund which accounts for any activity that provides goods or services to other funds, departments, or agencies of the State and its component units, or to other governments on a cost-reimbursement basis.

Justification Review: Review of selected programs and agencies conducted by Fiscal Research Division as part of a pilot zero base budgeting exercise authorized in S.L. 2005-276, Section 6.34.

Lapsed Salaries: Result from unexpended appropriations that accrue because funds have been budgeted for positions that are temporarily vacant.

Negative Reserve: A method by which a budget reduction is imposed without detailing the specific lines of expenditure to be decreased.

Net General Fund Appropriation: The appropriation of the General Fund's general purpose revenue.

Nonrecurring: A term applied to revenues or expenditures that are not repeated in future years.

Nontax Revenue: Revenue, not derived from tax proceeds, that are required by statute to be credited to the General Fund.

Reversion: The unexpended, unencumbered balance of an appropriation at fiscal year end that reverts, as required by law, to the fund from which the appropriation was made.

Repairs and Renovation Account: A reserve in the General Fund to provide for the repair and renovation of State facilities and related infrastructures that are supported from the General Fund. (G.S. 143C-4-3)

Salary Reserve: Accumulates when a position is downgraded or filled at a salary amount less than the amount at which it was previously budgeted. Salary reserve can be used to increase the salary of other positions due to promotion and/or reclassification or filling a position at a salary higher than that at which the position was vacated.

Glossary

- Savings Reserve Account:** A component of the unappropriated General Fund balance that is maintained as a reserve to address unanticipated events and circumstances such as natural disasters, economic downturns, threats to public safety, health, and welfare, and other emergencies. (G.S. 143C-4-2)
- Self-Liquidating Debt:** Debt obligations whose principal and interest are payable primarily from the earnings of enterprises for the construction or improvement of which they were originally issued.
- State Agency:** A unit of the executive, legislative, or judicial branch of State government, such as a department, an institution, a division, a commission, a board, a council, or The University of North Carolina. The term does not include a unit of local government or a public authority.
- State Funds:** Any moneys, including federal funds, deposited in the State treasury except monies deposited in a trust fund or agency fund as described in G.S. 143C-1-3.
- Special Revenue Fund:** A fund used to account for revenue designated for a specific purpose; revenue deposited must remain in the fund until expended for that purpose.
- Statutory Appropriation:** An appropriation that authorizes the withdrawal of funds from the State treasury during fiscal years extending beyond the current fiscal biennium, without further act of the General Assembly.
- Tax Reimbursements:** State revenue disbursed to local governments as reimbursements due to State-mandated tax relief measures which have a local financial impact on locals.
- Total General Fund Availability:** The sum of the beginning General Fund Unreserved Fund Balance and General Fund revenues for a fiscal period.
- Total Source of Funds:** All funding sources including the General Fund's general purpose revenue and agency revenue, special fund revenues (such as gasoline taxes and sale of fishing licenses); and enterprise fund revenues as certified by the Office of State Budget and Management.
- Unreserved Fund Balance:** The available General Fund cash balance effective June 30 after excluding documented encumbrances, unearned revenue, federal grants, statutory requirements, and other legal obligations to General Fund cash as determined by the State Controller. Beginning unreserved fund balance equals ending unreserved fund balance from the prior fiscal year.

Appendices

Total State Budget By Source of Funds
(\$ in millions - Excludes General Obligation Bonds)

Fiscal Year	General Fund	Federal Revenue Sharing	Highway Fund/Trust	Federal Receipts	Other ¹ Receipts	Transfers ²	Total
1970-71	961.4		304.7	335.1	171.2		1,772.4
1971-72	1,198.0		344.8	476.7	218.6		2,238.1
1972-73	1,173.6		352.4	491.7	199.5		2,217.2
1973-74	1,607.3	105.2	381.7	519.3	264.4		2,877.9
1974-75	1,734.6	57.2	392.7	648.6	247.8		3,080.9
1975-76	1,733.2	51.7	422.8	747.6	292.3		3,247.6
1976-77	1,922.4	67.1	414.6	776.8	282.9		3,463.8
1977-78	2,158.0	66.9	433.1	967.9	351.4		3,977.3
1978-79	2,515.4	62.5	461.8	1,042.7	328.5		4,410.9
1979-80	2,787.7	57.0	497.6	1,240.5	448.8		5,031.6
1980-81	3,216.4	28.4	506.1	1,296.5	395.7		5,443.1
1981-82	3,435.0		535.0	1,312.7	470.0		5,752.7
1982-83	3,623.6		555.6	1,322.3	485.9		5,987.4
1983-84	3,857.6		664.0	1,597.4	584.9		6,703.9
1984-85	4,516.6		713.6	1,655.8	551.7		7,437.7
1985-86	5,130.5		735.5	1,838.1	696.4		8,400.5
1986-87	5,516.0		839.4	1,887.4	698.3		8,941.1
1987-88	5,977.9		882.4	2,026.8	837.1		9,724.2
1988-89	6,586.1		918.7	2,117.4	788.2		10,410.4
1989-90	7,360.0		1,236.6	2,366.8	1,033.0		11,996.4
1990-91	8,149.0		1,223.8	2,617.0	949.4		12,939.2
1991-92	7,983.0		1,323.3	3,127.8	1,176.3		13,610.4
1992-93	8,209.5		1,318.4	3,617.5	1,363.2		14,508.6
1993-94	9,317.9		1,363.3	4,516.4	1,544.0		16,741.6
1994-95	10,268.4		1,480.9	4,639.9	1,580.7		17,969.9
1995-96	10,031.6		1,553.4	4,664.4	1,783.3		18,032.7
1996-97	10,603.0		1,622.5	4,870.3	1,962.7		19,058.5
1997-98	11,565.3		1,775.5	5,220.4	1,863.6		20,424.8
1998-99	13,111.6		1,807.6	5,465.3	1,797.1		22,181.6
1999-00	14,237.7		1,878.8	5,951.1	1,898.8		23,966.4
2000-01	14,050.1		2,058.8	6,134.4	1,958.4		24,201.7
2001-02	14,530.3		2,121.1	7,066.3	2,243.2		25,960.9
2002-03	14,355.1		1,900.0	7,676.5	2,371.0		26,302.7
2003-04	14,863.2		2,127.7	8,465.8	2,522.7		27,979.4
2004-05	15,918.4		2,169.6	8,967.1	2,677.5		29,732.6
2005-06	17,196.4		2,744.7	9,972.0	3,452.8		33,365.9
2006-07	18,866.0		2,836.9	10,495.7	3,452.8		35,651.3
2007-08	20,929.1		2,857.8	11,476.1	7,881.0	2,122.8	43,144.1
2008-09	21,356.0		2,851.1	11,855.6	8,168.2	5,100.0	49,330.9
2009-10	19,018.6		2,282.7	14,190.6	7,581.9	6,202.6	49,276.4

¹ Beginning with FY 2007-08, "Other Receipts" exclude internal service funds.

² In some cases, "Total Transfers" include duplication due to variations in agency handling of interagency transfers

Summary of General Fund Appropriations

Fiscal Year 2009-2010

2009 Legislative Session

	Adjusted	Legislative Adjustments			Revised	
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	
	2009-10	Adjustments	Adjustments	Changes	Changes	
					Appropriation	
					2009-10	
<u>Education:</u>						
Community Colleges	1,072,571,152	(105,637,524)	32,899,494	(72,738,030)	-19.00	999,833,122
Public Education	8,245,341,827	(387,488,165)	(399,592,422)	(787,080,587)	-64.00	7,458,261,240
University System	3,026,185,255	(193,284,976)	(126,065,944)	(319,350,920)	21.00	2,706,834,335
Total Education	12,344,098,234	(686,410,665)	(492,758,872)	(1,179,169,537)	-62.00	11,164,928,697
<u>Health and Human Services:</u>						
Central Management and Support	74,014,863	556,849	445,000	1,001,849	-20.00	75,016,712
Aging and Adult Services	37,592,841	(308,552)	(1,384,392)	(1,692,944)	-2.00	35,899,897
Blind and Deaf / Hard of Hearing Services	11,704,522	(2,787,049)	(185,590)	(2,972,639)	-3.00	8,731,883
Child Development	305,403,137	(32,055,077)	(16,252,484)	(48,307,561)	-2.00	257,095,576
Education Services	40,827,434	(3,982,716)	(175,321)	(4,158,037)	-32.00	36,669,397
Health Service Regulation	19,271,921	(1,345,180)	0	(1,345,180)	-7.00	17,926,741
Medical Assistance	3,681,276,113	(505,270,447)	(857,352,497)	(1,362,622,944)	-11.00	2,318,653,169
Mental Health, Dev. Disabilities and Sub. Abuse	819,613,620	(111,927,736)	(43,300,000)	(155,227,736)	-350.00	664,385,884
NC Health Choice	68,789,628	8,428,896	0	8,428,896	0.00	77,218,524
Public Health	195,214,007	(28,750,768)	(4,897,119)	(33,647,887)	-54.00	161,566,120
Social Services	236,218,110	(13,863,463)	(14,175,225)	(28,038,688)	-22.00	208,179,422
Vocational Rehabilitation	46,418,743	(4,211,293)	(201,170)	(4,412,463)	-3.00	42,006,280
Total Health and Human Services	5,536,344,939	(695,516,536)	(937,478,798)	(1,632,995,334)	-506.00	3,903,349,605
<u>Justice and Public Safety:</u>						
Correction	1,384,910,571	(56,397,700)	(14,697,394)	(71,095,094)	-972.00	1,313,815,477
Crime Control & Public Safety	43,925,878	(10,185,383)	580,336	(9,605,047)	25.00	34,320,831
Judicial Department	497,649,235	(28,396,121)	(2,324,864)	(30,720,985)	-47.00	466,928,250
Judicial - Indigent Defense	133,881,190	(7,188,386)	9,235,185	2,046,799	-6.00	135,927,989
Justice	100,441,147	(10,704,530)	0	(10,704,530)	-72.00	89,736,617
Juvenile Justice & Delinquency Prevention	172,484,415	(23,013,164)	(718,393)	(23,731,557)	-122.00	148,752,858
Total Justice and Public Safety	2,333,292,436	(135,885,284)	(7,925,130)	(143,810,414)	-1194.00	2,189,482,022

**Summary of General Fund Appropriations
Fiscal Year 2009-2010
2009 Legislative Session**

	Adjusted	Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2009-10	Adjustments	Adjustments	Changes	Changes	2009-10
<u>Natural And Economic Resources:</u>						
Agriculture and Consumer Services	65,402,492	(4,668,058)	2,300,000	(2,368,058)	-32.20	63,034,434
Commerce	46,019,823	(4,395,287)	2,903,885	(1,491,402)	-11.00	44,528,421
Commerce - State Aid	15,642,232	(974,507)	7,000,000	6,025,493	0.00	21,667,725
Environment and Natural Resources	212,524,097	(19,128,924)	7,713,240	(11,415,684)	-112.72	201,108,413
DENR - Clean Water Mgmt. Trust Fund	100,000,000	0	(50,000,000)	(50,000,000)	0.00	50,000,000
Labor	19,064,773	(1,663,966)	0	(1,663,966)	-9.50	17,400,807
NC Biotechnology Center	15,427,561	(617,561)	0	(617,561)	0.00	14,810,000
Rural Economic Development Center	24,059,581	(152,145)	500,000	347,855	0.00	24,407,436
Total Natural and Economic Resources	498,140,559	(31,600,448)	(29,582,875)	(61,183,323)	-165.42	436,957,236
<u>General Government:</u>						
Administration	78,170,163	(10,510,601)	250,000	(10,260,601)	-110.50	67,909,562
Auditor	14,389,111	(962,069)	0	(962,069)	-8.00	13,427,042
Cultural Resources	77,933,037	(5,474,603)	500,000	(4,974,603)	-17.45	72,958,434
Cultural Resources - Roanoke Island	2,095,402	(104,770)	0	(104,770)	0.00	1,990,632
General Assembly	62,347,066	(7,868,058)	0	(7,868,058)	-21.00	54,479,008
Governor	6,616,233	(465,924)	0	(465,924)	0.00	6,150,309
Housing Finance Agency	14,608,417	0	0	0	0.00	14,608,417
Insurance	33,824,822	(144,300)	(1,500,000)	(1,644,300)	0.00	32,180,522
Insurance - Worker's Compensation Fund	4,500,000	0	(2,500,000)	(2,500,000)	0.00	2,000,000
Lieutenant Governor	966,706	(22,504)	0	(22,504)	0.00	944,202
Office of Administrative Hearings	4,266,407	(110,895)	0	(110,895)	-3.00	4,155,512
Revenue	91,347,503	(2,386,086)	0	(2,386,086)	0.00	88,961,417
Secretary of State	11,854,656	(214,297)	0	(214,297)	-3.00	11,640,359
State Board of Elections	6,627,101	(319,878)	(1,500,000)	(1,819,878)	-5.00	4,807,223
State Budget and Management	7,144,221	(641,701)	0	(641,701)	-4.00	6,502,520
State Budget and Management -- Special	4,280,000	(63,535)	2,250,000	2,186,465	0.00	6,466,465
State Controller	24,536,602	(1,404,801)	0	(1,404,801)	-12.75	23,131,801
Treasurer - Operations	11,150,002	6,608,563	0	6,608,563	-4.00	17,758,565
Treasurer - Retirement / Benefits	10,804,671	0	0	0	0.00	10,804,671
Total General Government	467,462,120	(24,085,459)	(2,500,000)	(26,585,459)	-188.70	440,876,661

Summary of General Fund Appropriations

Fiscal Year 2009-2010

2009 Legislative Session

	Adjusted Continuation Budget 2009-10	Legislative Adjustments			Revised Appropriation 2009-10	
		Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	670,494,697	(27,981,944)	0	(27,981,944)	0.00	642,512,753
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
Subtotal Debt Service	672,111,077	(27,981,944)	0	(27,981,944)	0.00	644,129,133
Statewide Reserves:						
Salary Adjustment Fund	4,500,000	(4,500,000)	0	(4,500,000)	0.00	0
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
State Health Plan (S.L. 2009-16)		132,214,752	0	132,214,752	0.00	132,214,752
State Retirement System Contributions		21,000,000	0	21,000,000	0.00	21,000,000
Judicial Retirement System Contributions		1,300,000	0	1,300,000	0.00	1,300,000
Information Technology Funds	14,821,416	(5,459,431)	0	(5,459,431)	0.00	9,361,985
Job Development Investment Grants (JDIG)	27,400,000	0	(8,400,000)	(8,400,000)	0.00	19,000,000
Statewide Administrative Support Reduction		(3,000,000)	0	(3,000,000)	-75.00	(3,000,000)
Eliminate Funds for BRIC - General Fund	172,000,000	0	(172,000,000)	(172,000,000)	0.00	0
Convert Contract Employees to State Employees		(2,500,000)	0	(2,500,000)	0.00	(2,500,000)
Severance Expenditure Reserve		0	47,957,108	47,957,108	0.00	47,957,108
Subtotal Statewide Reserves	223,721,416	139,055,321	(132,442,892)	6,612,429	-75.00	230,333,845
Total Reserves and Debt Service	895,832,493	111,073,377	(132,442,892)	(21,369,515)	-75.00	874,462,978
Total General Fund for Operations	22,075,170,781	(1,462,425,015)	(1,602,688,567)	(3,065,113,582)	-2191.12	19,010,057,199
Capital Improvements						
Water Resources Development Projects	0	0	4,875,000	4,875,000	0.00	4,875,000
Total Capital Improvements	0	0	4,875,000	4,875,000	0.00	4,875,000
Total General Fund Budget	22,075,170,781	(1,462,425,015)	(1,597,813,567)	(3,060,238,582)	-2191.12	19,014,932,199

Summary of General Fund Appropriations						
Fiscal Year 2010-2011						
2009 Legislative Session						
	Adjusted	Legislative Adjustments			Revised	
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2010-11	Adjustments	Adjustments	Changes	Changes	2010-11
Education:						
Community Colleges	1,114,034,594	(101,566,816)	0	(101,566,816)	-19.00	1,012,467,778
Public Education	8,358,798,223	(493,897,268)	(504,067,732)	(997,965,000)	-75.00	7,360,833,223
University System	3,100,871,575	(299,616,919)	(144,702,648)	(444,319,567)	21.00	2,656,552,008
Total Education	12,573,704,392	(895,081,003)	(648,770,380)	(1,543,851,383)	-73.00	11,029,853,009
Health and Human Services:						
Central Management and Support	74,482,593	(310,254)	0	(310,254)	-20.00	74,172,339
Aging and Adult Services	37,594,640	(312,611)	0	(312,611)	-2.00	37,282,029
Blind and Deaf / Hard of Hearing Services	11,763,464	(2,853,143)	(260,590)	(3,113,733)	-3.00	8,649,731
Child Development	305,417,178	(32,433,216)	(3,800,000)	(36,233,216)	-2.00	269,183,962
Education Services	40,879,342	(4,034,624)	0	(4,034,624)	-32.00	36,844,718
Health Service Regulation	19,277,259	(1,363,134)	0	(1,363,134)	-7.00	17,914,125
Medical Assistance	3,933,921,911	(711,159,533)	(502,565,621)	(1,213,725,154)	-11.00	2,720,196,757
Mental Health, Dev. Disabilities and Sub. Abuse	834,943,177	(130,247,222)	(40,000,000)	(170,247,222)	-350.00	664,695,955
NC Health Choice	68,789,628	13,174,613	0	13,174,613	0.00	81,964,241
Public Health	198,230,503	(31,941,055)	(5,774,119)	(37,715,174)	-54.00	160,515,329
Social Services	234,498,543	(18,982,538)	(6,926,522)	(25,909,060)	-22.00	208,589,483
Vocational Rehabilitation	46,762,707	(5,541,364)	(201,170)	(5,742,534)	-3.00	41,020,173
Total Health and Human Services	5,806,560,945	(926,004,081)	(559,528,022)	(1,485,532,103)	-506.00	4,321,028,842
Justice and Public Safety:						
Correction	1,406,791,264	(66,473,640)	(13,825,394)	(80,299,034)	-1072.00	1,326,492,230
Crime Control & Public Safety	44,067,870	(10,348,907)	0	(10,348,907)	20.00	33,718,963
Judicial Department	507,638,940	(37,495,448)	(6,390,013)	(43,885,461)	-44.00	463,753,479
Judicial - Indigent Defense	132,320,396	(12,188,386)	0	(12,188,386)	-17.50	120,132,010
Justice	101,047,019	(12,394,481)	0	(12,394,481)	-72.00	88,652,538
Juvenile Justice & Delinquency Prevention	172,651,108	(24,748,770)	(718,393)	(25,467,163)	-122.00	147,183,945
Total Justice and Public Safety	2,364,516,597	(163,649,632)	(20,933,800)	(184,583,432)	-1307.50	2,179,933,165

Summary of General Fund Appropriations						
Fiscal Year 2010-2011						
2009 Legislative Session						
	Adjusted	Legislative Adjustments			Revised	
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2010-11	Adjustments	Adjustments	Changes	Changes	2010-11
Natural And Economic Resources:						
Agriculture and Consumer Services	65,638,839	(5,079,231)	0	(5,079,231)	-32.20	60,559,608
Commerce	46,028,986	(5,113,777)	0	(5,113,777)	-11.00	40,915,209
Commerce - State Aid	15,642,232	(1,253,507)	1,000,000	(253,507)	0.00	15,388,725
Environment and Natural Resources	214,924,435	(24,525,079)	0	(24,525,079)	-149.92	190,399,356
DENR - Clean Water Mgmt. Trust Fund	100,000,000	0	(50,000,000)	(50,000,000)	0.00	50,000,000
Labor	19,092,834	(1,691,971)	0	(1,691,971)	-9.50	17,400,863
NC Biotechnology Center	15,427,561	(925,661)	0	(925,661)	0.00	14,501,900
Rural Economic Development Center	24,059,581	(227,145)	0	(227,145)	0.00	23,832,436
Total Natural and Economic Resources	500,814,468	(38,816,371)	(49,000,000)	(87,816,371)	-202.62	412,998,097
General Government:						
Administration	78,362,881	(10,915,997)	0	(10,915,997)	-110.50	67,446,884
Auditor	14,405,383	(1,150,260)	0	(1,150,260)	-9.00	13,255,123
Cultural Resources	79,329,609	(6,079,619)	0	(6,079,619)	-17.45	73,249,990
Cultural Resources - Roanoke Island	2,095,402	(104,770)	0	(104,770)	0.00	1,990,632
General Assembly	64,056,544	(7,472,060)	0	(7,472,060)	-21.00	56,584,484
Governor	6,622,879	(555,140)	0	(555,140)	0.00	6,067,739
Housing Finance Agency	14,608,417	0	0	0	0.00	14,608,417
Insurance	33,887,006	(144,300)	(1,500,000)	(1,644,300)	0.00	32,242,706
Insurance - Worker's Compensation Fund	4,500,000	0	(2,938,154)	(2,938,154)	0.00	1,561,846
Lieutenant Governor	966,706	(35,003)	0	(35,003)	0.00	931,703
Office of Administrative Hearings	4,279,242	(167,766)	0	(167,766)	-3.00	4,111,476
Revenue	91,440,473	(3,649,503)	0	(3,649,503)	-14.00	87,790,970
Secretary of State	11,928,530	(477,042)	0	(477,042)	-3.00	11,451,488
State Board of Elections	6,630,894	(409,686)	0	(409,686)	-5.00	6,221,208
State Budget and Management	7,147,928	(740,119)	0	(740,119)	-4.00	6,407,809
State Budget and Management -- Special	4,280,000	(118,875)	0	(118,875)	0.00	4,161,125
State Controller	24,568,908	(1,380,701)	0	(1,380,701)	-7.75	23,188,207
Treasurer - Operations	11,163,790	6,401,610	0	6,401,610	-4.00	17,565,400
Treasurer - Retirement / Benefits	10,804,671	0	0	0	0.00	10,804,671
Total General Government	471,079,263	(26,999,231)	(4,438,154)	(31,437,385)	-198.70	439,641,878

Summary of General Fund Appropriations						
Fiscal Year 2010-2011						
2009 Legislative Session						
	Adjusted	Legislative Adjustments			Revised	
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2010-11	Adjustments	Adjustments	Changes	Changes	2010-11
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	739,878,445	(32,304,949)	0	(32,304,949)	0.00	707,573,496
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
Subtotal Debt Service	741,494,825	(32,304,949)	0	(32,304,949)	0.00	709,189,876
Statewide Reserves:						
Salary Adjustment Fund	4,500,000	(4,500,000)	0	(4,500,000)	0.00	0
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
State Health Plan (S.L. 2009-16)		276,179,709	0	276,179,709	0.00	276,179,709
State Retirement System Contributions		160,000,000	0	160,000,000	0.00	160,000,000
Judicial Retirement System Contributions		1,300,000	0	1,300,000	0.00	1,300,000
Information Technology Funds	14,821,416	(6,981,416)	0	(6,981,416)	0.00	7,840,000
Job Development Investment Grants (JDIG)	27,400,000	0	0	0	0.00	27,400,000
Statewide Administrative Support Reduction		(6,600,000)	0	(6,600,000)	-165.00	(6,600,000)
Eliminate Funds for BRIC - General Fund	45,000,000	0	(45,000,000)	(45,000,000)	0.00	0
Convert Contract Employees to State Employees		(4,000,000)	0	(4,000,000)	0.00	(4,000,000)
Subtotal Statewide Reserves	96,721,416	415,398,293	(45,000,000)	370,398,293	-165.00	467,119,709
Total Reserves and Debt Service	838,216,241	383,093,344	(45,000,000)	338,093,344	-165.00	1,176,309,585
Total General Fund for Operations	22,554,891,906	(1,667,456,974)	(1,327,670,356)	(2,995,127,330)	-2452.82	19,559,764,576
Capital Improvements						
Water Resources Development Projects	0		0	0		0
Total Capital Improvements	0	0	0	0		0
Total General Fund Budget	22,554,891,906	(1,667,456,974)	(1,327,670,356)	(2,995,127,330)	-2452.82	19,559,764,576

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations			Education					Health & Human Services		All Other		
		Public Schools			Community Colleges		University			Amount	Percent	Amount	Percent
		Amount	Percent	as % of Total	Amount	Percent	Amount	Percent	as % of Total				
1970-71	Authorization	981,127,808	510,055,771	52.0%	44,935,256	4.6%	147,326,678	15.0%	71.6%	131,483,760	13.4%	147,326,343	15.0%
	Expenditure	939,311,030	496,905,842	52.9%	43,642,139	4.6%	138,608,501	14.8%	72.3%	122,069,070	13.0%	138,085,478	14.7%
	Reversion	41,816,778	13,149,929	31.4%	1,293,117	3.1%	8,718,177	20.8%	55.4%	9,414,690	22.5%	9,240,865	22.1%
	% Unexpended	4.26%	2.58%		2.88%		5.92%			7.16%		6.27%	
1971-72	Authorization	1,073,289,571	533,536,652	49.7%	55,958,450	5.2%	163,331,175	15.2%	70.1%	160,607,710	15.0%	159,855,584	14.9%
	Expenditure	1,031,353,080	527,938,182	51.2%	55,954,999	5.4%	148,864,864	14.4%	71.0%	148,919,439	14.4%	149,675,596	14.5%
	Reversion	41,936,491	5,598,470	13.3%	3,451	0.0%	14,466,311	34.5%	47.9%	11,688,271	27.9%	10,179,988	24.3%
	% Unexpended	3.91%	1.05%		0.01%		8.86%			7.28%		6.37%	
1972-73	Authorization	1,187,443,130	575,012,350	48.4%	63,193,535	5.3%	179,910,706	15.2%	68.9%	180,762,164	15.2%	188,564,375	15.9%
	Expenditure	1,139,500,642	569,792,945	50.0%	60,636,067	5.3%	166,208,535	14.6%	69.9%	168,819,831	14.8%	174,043,264	15.3%
	Reversion	47,942,488	5,219,405	10.9%	2,557,468	5.3%	13,702,171	28.6%	44.8%	11,942,333	24.9%	14,521,111	30.3%
	% Unexpended	4.04%	0.91%		4.05%		7.62%			6.61%		7.70%	
1973-74	Authorization	1,520,694,407	718,947,864	47.3%	99,582,404	6.5%	222,838,796	14.7%	68.5%	224,614,625	14.8%	254,710,718	16.7%
	Expenditure	1,433,241,642	702,789,400	49.0%	92,458,946	6.5%	207,225,420	14.5%	69.9%	198,201,121	13.8%	232,566,755	16.2%
	Reversion	87,452,765	16,158,464	18.5%	7,123,458	8.1%	15,613,376	17.9%	44.5%	26,413,504	30.2%	22,143,963	25.3%
	% Unexpended	5.75%	2.25%		7.15%		7.01%			11.76%		8.69%	
1974-75	Authorization	1,698,417,672	789,391,908	46.5%	109,218,752	6.4%	280,638,400	16.5%	69.4%	270,434,740	15.9%	248,733,872	14.6%
	Expenditure	1,627,703,631	772,145,444	47.4%	106,413,517	6.5%	267,090,160	16.4%	70.4%	246,757,184	15.2%	235,297,326	14.5%
	Reversion	70,714,041	17,246,464	24.4%	2,805,235	4.0%	13,548,240	19.2%	47.5%	23,677,556	33.5%	13,436,546	19.0%
	% Unexpended	4.16%	2.18%		2.57%		4.83%			8.76%		5.40%	
1975-76	Authorization	1,737,659,496	800,937,335	46.1%	105,465,494	6.1%	270,526,549	15.6%	67.7%	282,548,220	16.3%	278,181,898	16.0%
	Expenditure	1,670,011,262	792,213,250	47.4%	99,816,634	6.0%	249,604,282	14.9%	68.4%	274,169,121	16.4%	254,207,975	15.2%
	Reversion	67,648,234	8,724,085	12.9%	5,648,859	8.4%	20,922,767	30.9%	52.2%	8,379,099	12.4%	23,973,424	35.4%
	% Unexpended	3.89%	1.09%		5.36%		7.73%			2.97%		8.62%	
1976-77	Authorization	1,962,976,606	899,151,043	45.8%	116,481,854	5.9%	307,123,340	15.6%	67.4%	335,842,343	17.1%	304,378,026	15.5%
	Expenditure	1,890,839,697	888,449,745	47.0%	110,824,929	5.9%	289,972,146	15.3%	68.2%	313,022,287	16.6%	288,570,590	15.3%
	Reversion	72,136,909	10,701,298	14.8%	5,656,925	7.8%	17,151,194	23.8%	46.5%	22,820,056	31.6%	15,807,436	21.9%
	% Unexpended	3.67%	1.19%		4.86%		5.58%			6.79%		5.19%	
1977-78	Authorization	2,193,405,714	997,654,527	45.5%	114,065,103	5.2%	357,790,592	16.3%	67.0%	368,169,434	16.8%	355,726,058	16.2%
	Expenditure	2,131,150,750	988,189,540	46.4%	113,168,528	5.3%	337,633,079	15.8%	67.5%	351,655,302	16.5%	340,504,301	16.0%
	Reversion	62,254,964	9,464,987	15.2%	896,575	1.4%	20,157,513	32.4%	49.0%	16,514,132	26.5%	15,221,757	24.5%
	% Unexpended	2.84%	0.95%		0.79%		5.63%			4.49%		4.28%	
1978-79	Authorization	2,452,011,095	1,098,173,958	44.8%	139,794,869	5.7%	394,767,166	16.1%	66.6%	412,559,917	16.8%	406,715,185	16.6%
	Expenditure	2,358,332,842	1,092,015,308	46.3%	133,975,021	5.7%	379,305,638	16.1%	68.1%	372,632,422	15.8%	380,404,453	16.1%
	Reversion	93,678,253	6,158,650	6.6%	5,819,848	6.2%	15,461,528	16.5%	29.3%	39,927,495	42.6%	26,310,732	28.1%
	% Unexpended	3.82%	0.56%		4.16%		3.92%			9.68%		6.47%	
1979-80	Authorization	2,750,988,834	1,230,099,474	44.7%	145,243,264	5.3%	436,949,552	15.9%	65.9%	473,705,994	17.2%	464,990,550	16.9%
	Expenditure	2,660,272,288	1,230,099,473	46.2%	145,243,264	5.5%	414,751,963	15.6%	67.3%	429,814,253	16.2%	440,363,335	16.6%
	Reversion	90,716,546	1	0.0%	0	0.0%	22,197,589	24.5%	24.5%	43,891,741	48.4%	24,627,215	27.1%
	% Unexpended	3.30%	0.00%		0.00%		5.08%			9.27%		5.30%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations			Education					Health & Human Services			All Other	
		Public Schools			Community Colleges		University			Amount	Percent	Amount	Percent
		Amount	Percent	as % of Total	Amount	Percent	Amount	Percent	as % of Total				
1980-81	Authorization	3,150,963,479	1,390,907,313	44.1%	174,996,965	5.6%	515,255,082	16.4%	66.0%	532,775,202	16.9%	537,028,917	17.0%
	Expenditure	3,050,012,908	1,390,907,313	45.6%	169,011,630	5.5%	487,919,423	16.0%	67.1%	488,201,903	16.0%	513,972,639	16.9%
	Reversion	100,950,571	0	0.0%	5,985,335	5.9%	27,335,659	27.1%	33.0%	44,573,299	44.2%	23,056,278	22.8%
	% Unexpended	3.20%	0.00%		3.42%		5.31%			8.37%		4.29%	
1981-82	Authorization	3,401,694,904	1,495,263,953	44.0%	194,452,082	5.7%	567,573,821	16.7%	66.4%	562,503,966	16.5%	581,901,082	17.1%
	Expenditure	3,244,758,733	1,477,036,604	45.5%	185,809,489	5.7%	534,143,560	16.5%	67.7%	501,927,937	15.5%	545,841,143	16.8%
	Reversion	156,936,171	18,227,349	11.6%	8,642,593	5.5%	33,430,261	21.3%	38.4%	60,576,029	38.6%	36,059,939	23.0%
	% Unexpended	4.61%	1.22%		4.44%		5.89%			10.77%		6.20%	
1982-83	Authorization	3,561,142,890	1,515,742,033	42.6%	205,585,837	5.8%	599,235,054	16.8%	65.2%	589,530,327	16.6%	651,049,639	18.3%
	Expenditure	3,374,921,984	1,455,408,320	43.1%	191,749,633	5.7%	560,438,959	16.6%	65.4%	547,208,474	16.2%	620,116,598	18.4%
	Reversion	186,220,906	60,333,713	32.4%	13,836,204	7.4%	38,796,095	20.8%	60.7%	42,321,853	22.7%	30,933,041	16.6%
	% Unexpended	5.23%	3.98%		6.73%		6.47%			7.18%		4.75%	
1983-84	Authorization	3,771,981,844 A	1,619,049,694	42.9%	232,195,091	6.2%	641,511,441	17.0%	66.1%	615,625,461	16.3%	663,600,157	17.6%
	Expenditure	3,689,904,837	1,615,216,290	43.8%	226,494,819	6.1%	615,765,535	16.7%	66.6%	584,128,657	15.8%	648,299,536	17.6%
	Reversion	82,077,007	3,833,404	4.7%	5,700,272	6.9%	25,745,906	31.4%	43.0%	31,496,804	38.4%	15,300,621	18.6%
	% Unexpended	2.18%	0.24%		2.45%		4.01%			5.12%		2.31%	
1984-85	Authorization	4,319,568,173	1,886,700,077	43.7%	259,101,105	6.0%	746,998,910	17.3%	67.0%	676,582,049	15.7%	750,186,032	17.4%
	Expenditure	4,187,988,292	1,854,957,593	44.3%	257,230,807	6.1%	714,513,120	17.1%	67.5%	629,977,924	15.0%	731,308,848	17.5%
	Reversion	131,579,881	31,742,484	24.1%	1,870,298	1.4%	32,485,790	24.7%	50.2%	46,604,125	35.4%	18,877,184	14.3%
	% Unexpended	3.05%	1.68%		0.72%		4.35%			6.89%		2.52%	
1985-86	Authorization	4,877,060,744	2,185,803,123	44.8%	281,875,727	5.8%	840,311,094	17.2%	67.8%	747,615,271	15.3%	821,455,529	16.8%
	Expenditure	4,718,355,240	2,156,921,328	45.7%	277,815,320	5.9%	793,114,439	16.8%	68.4%	707,151,818	15.0%	783,352,335	16.6%
	Reversion	158,705,504	28,881,795	18.2%	4,060,407	2.6%	47,196,655	29.7%	50.5%	40,463,453	25.5%	38,103,194	24.0%
	% Unexpended	3.25%	1.32%		1.44%		5.62%			5.41%		4.64%	
1986-87	Authorization	5,233,678,633	2,346,139,866	44.8%	307,102,490	5.9%	909,134,150	17.4%	68.1%	804,932,884	15.4%	866,369,243	16.6%
	Expenditure	5,051,335,794	2,293,921,501	45.4%	299,359,220	5.9%	853,232,567	16.9%	68.2%	771,114,680	15.3%	833,707,826	16.5%
	Reversion	182,342,839	52,218,365	28.6%	7,743,270	4.2%	55,901,583	30.7%	63.5%	33,818,204	18.5%	32,661,417	17.9%
	% Unexpended	3.48%	2.23%		2.52%		6.15%			4.20%		3.77%	
1987-88	Authorization	5,805,245,729	2,639,237,658	45.5%	326,296,294	5.6%	980,746,492	16.9%	68.0%	874,393,715	15.1%	984,571,570	17.0%
	Expenditure	5,600,754,849	2,571,179,747	45.9%	317,666,441	5.7%	936,874,299	16.7%	68.3%	824,077,048	14.7%	950,957,314	17.0%
	Reversion	204,490,880	68,057,911	33.3%	8,629,853	4.2%	43,872,193	21.5%	59.0%	50,316,667	24.6%	33,614,256	16.4%
	% Unexpended	3.52%	2.58%		2.64%		4.47%			5.75%		3.41%	
1988-89	Authorization	6,302,733,865	2,930,643,866	46.5%	332,064,381	5.3%	1,039,510,499	16.5%	68.3%	961,204,892	15.3%	1,039,310,227	16.5%
	Expenditure	6,131,757,410	2,857,740,313	46.6%	324,207,283	5.3%	996,187,476	16.2%	68.1%	939,216,000	15.3%	1,014,406,338	16.5%
	Reversion	170,976,455	72,903,553	42.6%	7,857,098	4.6%	43,323,023	25.3%	72.6%	21,988,892	12.9%	24,903,889	14.6%
	% Unexpended	2.71%	2.49%		2.37%		4.17%			2.29%		2.40%	
1989-90	Authorization	6,883,018,393 A	3,134,428,215	45.5%	365,537,274	5.3%	1,109,917,895	16.1%	67.0%	1,010,637,670	14.7%	1,262,497,339	18.3%
	Expenditure	6,539,691,898	3,111,034,727	47.6%	346,856,268	5.3%	989,230,466	15.1%	68.0%	943,279,717	14.4%	1,149,290,720	17.6%
	Reversion	343,326,495	23,393,488	6.8%	18,681,006	5.4%	120,687,429	35.2%	47.4%	67,357,953	19.6%	113,206,619	33.0%
	% Unexpended	4.99%	0.75%		5.11%		10.87%			6.66%		8.97%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations			Education						Health & Human Services		All Other	
		Amount	Percent	Public Schools		Community Colleges		University		Amount	Percent	Amount	Percent
				Amount	Percent	Amount	Percent	Amount	Percent				
1990-91	Authorization	7,249,630,710 A	3,329,171,720	45.9%	387,611,956	5.3%	1,143,216,957	15.8%	67.0%	1,098,228,128	15.1%	1,291,401,949	17.8%
	Expenditure	6,877,865,221	3,176,190,223	46.2%	374,186,097	5.4%	1,089,669,672	15.8%	67.5%	1,071,202,135	15.6%	1,166,617,094	17.0%
	Reversion	371,765,491	152,981,497	41.1%	13,425,859	3.6%	53,547,285	14.4%	59.2%	27,025,993	7.3%	124,784,857	33.6%
	% Unexpended	5.13%	4.60%		3.46%		4.68%			2.46%		9.66%	
1991-92	Authorization	7,357,101,134 A	3,293,699,663	44.8%	344,131,858	4.7%	1,121,976,740	15.3%	64.7%	1,237,322,428	16.8%	1,359,970,445	18.5%
	Expenditure	7,184,089,741	3,235,476,119	45.0%	338,050,542	4.7%	1,092,166,393	15.2%	64.9%	1,223,468,038	17.0%	1,294,928,649	18.0%
	Reversion	173,011,390	58,223,544	33.7%	6,081,316	3.5%	29,810,346	17.2%	54.4%	13,854,390	8.0%	65,041,794	37.6%
	% Unexpended	2.35%	1.77%		1.77%		2.66%			1.12%		4.78%	
1992-93	Authorization	7,881,908,182 A	3,435,634,234	43.6%	398,689,471	5.1%	1,170,947,533	14.9%	63.5%	1,410,255,601	17.9%	1,466,381,343	18.6%
	Expenditure	7,552,787,565	3,399,653,728	45.0%	391,402,904	5.2%	1,140,308,136	15.1%	65.3%	1,222,683,543	16.2%	1,398,739,254	18.5%
	Reversion	329,120,617	35,980,506	10.9%	7,286,567	2.2%	30,639,398	9.3%	22.5%	187,572,058	57.0%	67,642,088	20.6%
	% Unexpended	4.18%	1.05%		1.83%		2.62%			13.30%		4.61%	
1993-94	Authorization	8,888,710,752 A	3,634,055,711	40.9%	450,882,941	5.1%	1,299,865,905	14.6%	60.6%	1,759,286,096	19.8%	1,744,620,099	19.6%
	Expenditure	8,575,733,017	3,587,786,193	41.8%	447,100,088	5.2%	1,266,772,749	14.8%	61.8%	1,647,826,530	19.2%	1,626,247,457	19.0%
	Reversion	312,977,735	46,269,518	14.8%	3,782,403	1.2%	33,093,156	10.6%	26.6%	111,459,566	35.6%	118,373,092	37.8%
	% Unexpended	3.52%	1.27%		0.84%		2.55%			6.34%		6.79%	
1994-95	Authorization	9,715,509,023 A	4,082,959,317	42.0%	455,651,184	4.7%	1,296,558,991	13.3%	60.1%	1,948,639,177	20.1%	1,931,700,354	19.9%
	Expenditure	9,482,528,320	4,048,929,070	42.7%	453,927,375	4.8%	1,265,809,673	13.3%	60.8%	1,902,007,678	20.1%	1,811,854,524	19.1%
	Reversion	232,980,703	34,030,247	14.6%	1,723,809	0.7%	30,749,318	13.2%	28.5%	46,631,499	20.0%	119,845,830	51.4%
	% Unexpended	2.40%	0.83%		0.38%		2.37%			2.39%		6.20%	
1995-96	Authorization	9,793,062,378	3,998,978,216	40.8%	470,880,697	4.8%	1,301,040,079	13.3%	58.9%	2,049,069,520	20.9%	1,973,093,866	20.1%
	Expenditure	9,570,832,269	3,951,497,059	41.3%	467,105,237	4.9%	1,275,618,898	13.3%	59.5%	1,991,088,366	20.8%	1,885,522,709	19.7%
	Reversion	222,230,109	47,481,157	21.4%	3,775,460	1.7%	25,421,181	11.4%	34.5%	57,981,154	26.1%	87,571,157	39.4%
	% Unexpended	2.27%	1.19%		0.80%		1.95%			2.83%		4.44%	
1996-97	Authorization	10,450,411,229	4,301,626,282	41.2%	501,802,184	4.8%	1,385,611,961	13.3%	59.2%	2,189,874,842	21.0%	2,071,495,960	19.8%
	Expenditure	10,309,508,861	4,267,252,095	41.4%	495,543,157	4.8%	1,382,794,052	13.4%	59.6%	2,153,564,048	20.9%	2,010,355,509	19.5%
	Reversion	140,902,368	34,374,187	24.4%	6,259,027	4.4%	2,817,909	2.0%	30.8%	36,310,794	25.8%	61,140,451	43.4%
	% Unexpended	1.35%	0.80%		1.25%		0.20%			1.66%		2.95%	
1997-98	Authorization	11,258,582,548 B	4,697,892,305	41.7%	534,873,175	4.8%	1,489,866,397	13.2%	59.7%	2,422,884,666 C	21.5%	2,113,066,005	18.8%
	Expenditure	11,108,886,722	4,693,184,126	42.2%	528,107,909	4.8%	1,475,180,196	13.3%	60.3%	2,359,194,346	21.2%	2,053,220,145	18.5%
	Reversion	149,695,826 D	4,708,179	3.1%	6,765,266	4.5%	14,686,201	9.8%	17.5%	63,690,320	42.5%	59,845,860	40.0%
	% Unexpended	1.33%	0.10%		1.26%		0.99%			2.63%		2.83%	
1998-99	Authorization	12,327,025,974	5,068,634,951	41.1%	587,542,475	4.8%	1,628,888,154	13.2%	59.1%	2,663,571,595	21.6%	2,378,388,799	19.3%
	Expenditure	12,177,442,547	5,038,223,817	41.4%	582,222,727	4.8%	1,626,641,628	13.4%	59.5%	2,598,933,047	21.3%	2,331,421,328	19.1%
	Reversion	149,583,427 E	30,411,134	20.3%	5,319,748	3.6%	2,246,526	1.5%	25.4%	64,638,548	43.2%	46,967,471	31.4%
	% Unexpended	1.21%	0.60%		0.91%		0.14%			2.43%		1.97%	
1999-00	Authorization	13,441,610,285	5,497,075,780 F	40.9%	589,634,008	4.4%	1,682,143,914	12.5%	57.8%	2,797,755,988	20.8%	2,875,000,595	21.4%
	Expenditure	13,297,649,285 G	5,450,607,364	41.0%	582,151,546	4.4%	1,679,203,122	12.6%	58.0%	2,776,740,143	20.9%	2,808,947,110	21.1%
	Reversion	143,961,000	46,468,416	32.3%	7,482,462	5.2%	2,940,792	2.0%	39.5%	21,015,845	14.6%	66,053,485	45.9%
	% Unexpended	1.07%	0.85%		1.27%		0.17%			0.75%		2.30%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University			Amount	Percent	Amount	Percent
	Amount	Percent	Amount	Percent	Amount	Percent	as % of Total	Amount	Percent				
2000-01	Authorization	13,785,142,760	5,792,274,120	42.0%	644,032,372	4.7%	1,802,069,274	13.1%	59.8%	2,954,057,035	21.4%	2,592,709,959	18.8%
	Expenditure	13,220,036,214	5,671,631,385	42.9%	624,550,046	4.7%	1,767,873,649	13.4%	61.0%	2,884,925,899	21.8%	2,271,055,235	17.2%
	Reversion	565,106,546 H	120,642,735	21.3%	19,482,326	3.4%	34,195,625	6.1%	30.8%	69,131,136	12.2%	321,654,724	56.9%
	% Unexpended	4.10%	2.08%		3.03%		1.90%			2.34%		12.41%	
2001-02	Authorization	14,372,409,843	5,922,450,405	41.2%	650,075,770	4.5%	1,801,953,447	12.5%	58.3%	3,403,041,641	23.7%	2,594,888,580	18.1%
	Expenditure	13,708,199,020	5,815,381,127	42.4%	603,705,902	4.4%	1,647,270,569	12.0%	58.8%	3,273,742,131	23.9%	2,368,099,291	17.3%
	Reversion	664,210,823 H	107,069,278	16.1%	46,369,868	7.0%	154,682,878	23.3%	46.4%	129,299,510	19.5%	226,789,289	34.1%
	% Unexpended	4.62%	1.81%		7.13%		8.58%			3.80%		8.74%	
2002-03	Authorization	14,323,937,462	5,932,964,494	41.42%	667,345,336	4.7%	1,769,913,435	12.4%	58.4%	3,591,717,953	25.1%	2,361,996,244	16.5%
	Expenditure	13,824,364,493	5,872,954,662	42.48%	620,183,204	4.5%	1,686,217,160	12.2%	59.2%	3,346,742,225	24.2%	2,298,267,242	16.6%
	Reversion	499,572,969 H	60,009,832	12.01%	47,162,132	9.4%	83,696,275	16.8%	38.2%	244,975,728	49.0%	63,729,002	12.8%
	% Unexpended	3.49%	1.01%		7.07%		4.73%			6.82%		2.70%	
2003-04	Authorization	14,835,621,783	6,182,040,462	41.7%	683,286,314	4.6%	1,821,404,924	12.3%	58.6%	3,391,464,938	22.9%	2,757,425,145	18.6%
	Expenditure	14,676,583,520	6,166,536,283	42.0%	671,326,024	4.6%	1,793,421,536	12.2%	58.8%	3,344,888,536	22.8%	2,700,411,141	18.4%
	Reversion	159,038,263	15,504,179	9.7%	11,960,290	7.5%	27,983,388	17.6%	34.9%	46,576,402	29.3%	57,014,004	35.8%
	% Unexpended	1.1%	0.3%		1.75%		1.54%			1.37%		2.07%	
2004-05	Authorization	15,873,167,528	6,519,008,204	41.1%	751,146,236	4.7%	1,959,240,757	12.3%	58.1%	3,812,042,289	24.0%	2,831,730,042	17.8%
	Expenditure	15,753,167,545 I	6,483,369,051	41.2%	748,369,052	4.8%	1,953,902,429	12.4%	58.3%	3,785,482,228	24.0%	2,782,044,785	17.7%
	Reversion	119,999,983	35,639,153	29.7%	2,777,184	2.3%	5,338,328	4.4%	36.5%	26,560,061	22.1%	49,685,257	41.4%
	% Unexpended	0.8%	0.5%		0.37%		0.27%			0.70%		1.75%	
2005-06	Authorization	17,141,460,791	6,880,737,717	40.1%	827,719,984	4.8%	2,151,799,848	12.6%	57.5%	4,057,141,594	23.7%	3,224,061,648	18.8%
	Expenditure	16,977,479,186	6,867,308,952	40.4%	824,876,346	4.9%	2,146,047,180	12.6%	57.9%	4,025,185,595	23.7%	3,114,061,113	18.3%
	Reversion	163,981,605	13,428,765	8.2%	2,843,638	1.7%	5,752,668	3.5%	13.4%	31,955,999	19.5%	110,000,535	67.1%
	% Unexpended	1.0%	0.2%		0.34%		0.27%			0.79%		3.41%	
2006-07	Authorization	18,659,616,984	7,403,293,531	39.7%	935,718,292	5.0%	2,444,487,725	13.1%	57.8%	4,282,975,588	23.0%	3,593,141,848	19.3%
	Expenditure	18,455,735,426	7,377,354,362	40.0%	931,214,004	5.0%	2,435,690,255	13.2%	58.2%	4,233,479,600	22.9%	3,477,997,205	18.8%
	Reversion	203,881,558	25,939,169	12.7%	4,504,288	2.2%	8,797,470	4.3%	19.2%	49,495,988	24.3%	115,144,643	56.5%
	% Unexpended	1.1%	0.4%		0.48%		0.36%			1.16%		3.20%	
2007-08	Authorization	20,428,846,612	8,055,773,246	39.4%	990,523,754	4.8%	2,752,879,241	13.5%	57.8%	4,656,473,863	22.8%	3,973,196,508	19.4%
	Expenditure	20,145,647,198	7,977,135,139	39.6%	980,870,382	4.9%	2,713,732,194	13.5%	57.9%	4,633,261,552	23.0%	3,840,647,931	19.1%
	Reversion	283,199,414	78,638,107	27.8%	9,653,372	3.4%	39,147,047	13.8%	45.0%	23,212,311	8.2%	132,548,577	46.8%
	% Unexpended	1.4%	1.0%		0.97%		1.42%			0.50%		3.34%	
2008-09	Authorization	21,226,885,372	8,365,862,894	39.4%	1,016,658,560	4.8%	2,895,358,623	13.6%	57.8%	4,956,587,127	23.4%	3,992,418,168	18.8%
	Expenditure	19,629,407,644	8,141,898,009	41.5%	924,402,451	4.7%	2,573,160,635	13.1%	59.3%	4,353,279,435	22.2%	3,636,667,114	18.5%
	Reversion	1,597,477,728 J	223,964,885	14.0%	92,256,109	5.8%	322,197,988	20.2%	40.0%	603,307,692	37.8%	355,751,054	22.3%
	% Unexpended	7.5%	2.7%		9.07%		11.13%			12.17%		8.91%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Notes

- A Amounts Adjusted; see Total General Fund Authorizations as Adjusted to Determine Total Current Operations
- B Adjusted to include Year 2000 Appropriation for 1997-98 made by 1998 Session
- C Adjusted for Reorganization reflecting transfer of Health Services to Department of Health and Human Services
- D Reversions for 1997-98 of \$55,027,680 were earmarked for expenditure in Section 9 of SB 1366 (SL1998-212), reducing net reversions to \$94,668,146
- E Reversions of \$37 million were earmarked: \$30 million for Aquariums Capital and \$7 million for Warren County
- F Total includes \$240 million transfer from 11th/12th month payroll funds to Intangibles Reserve and additional \$11 million transfer to General Fund
- G Total includes \$225.7 million in "targeted reversions" transferred from state agencies to the Reserve for Hurricane Floyd Disaster Relief. (Amounts transferred to the Floyd Reserve by: Public Schools = \$45,545,171; Community Colleges = \$5,797,721; UNC System = \$13,607,225; DHHS = \$96,758,305)
- H Reversion totals higher for FY 2000-01, 2001-02 and 2002-03 due to budget balancing measures directed by the Governor.
- I Total includes \$91 million in "targeted reversions" transferred from state agencies to the Disaster Relief Reserve Fund.
- J The \$1.6 billion shown as "reversions" reflects reduced spending authorizations due to a significant revenue shortfall (see Special Topics section).

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations *	% Change vs. Prior Year	Less: Adjustments to Total Authorizations					Total Current Operations	% Change vs. Prior Year
			Capital Improvements		Savings Reserve Direct Appropriations	Other	Total Adjustments		
			Direct Appropriations Includes FRS	Earmarking of Unreserved Credit Balance					
1980-1981	3,255,104,769	14.80%	104,141,290	0	0	0	104,141,290	3,150,963,479	14.54%
1981-1982	3,432,556,046	5.45%	30,861,142	0	0	0	30,861,142	3,401,694,904	7.96%
1982-1983	3,626,915,248	5.66%	65,772,358	0	0	0	65,772,358	3,561,142,890	4.69%
1983-1984	3,857,564,088	6.36%	59,782,244	0	0	25,800,000	85,582,244	3,771,981,844	5.92%
1984-1985	4,532,103,411	17.49%	212,535,238	0	0	0	212,535,238	4,319,568,173	14.52%
1985-1986	5,130,563,978	13.20%	253,503,234	0	0	0	253,503,234	4,877,060,744	12.91%
1986-1987	5,531,345,878	7.81%	297,667,245	0	0	0	297,667,245	5,233,678,633	7.31%
1987-1988	5,978,265,764	8.08%	173,020,035	0	0	0	173,020,035	5,805,245,729	10.92%
1988-1989	6,561,392,895	9.75%	258,659,030	0	0	0	258,659,030	6,302,733,865	8.57%
1989-1990	7,266,680,455	10.75%	150,092,738	0	0	0	150,092,738	7,116,587,717	12.91%
1990-1991	7,973,824,802	9.73%	106,400,195	0	141,000,000	0	247,400,195	7,726,424,607	8.57%
1991-1992	7,825,732,308	-1.86%	0	0	400,000	0	400,000	7,825,332,308	B 1.28%
1992-1993	8,209,537,916	4.90%	95,205,570	0	0	0	95,205,570	8,114,332,346	C 3.69%
1993-1994	9,317,906,610	13.50%	135,371,704	57,000,000	0	0	192,371,704	9,125,534,906	12.46%
1994-1995	10,268,424,627	10.20%	189,391,450	60,000,000	66,700,000	0	316,091,450	9,952,333,177	9.06%
1995-1996	10,031,584,878	-2.31%	113,522,500	125,000,000	0	0	238,522,500	9,793,062,378	-1.60%
1996-1997	10,654,778,229	E 6.21%	157,267,000	0	D 0	47,100,000	F 204,367,000	10,450,411,229	6.71%
1997-1998	11,635,189,516	G 9.20%	152,991,120	174,260,955	0	49,354,893	H 376,606,968	11,258,582,548	7.73%
1998-1999	13,111,623,293	12.69%	192,199,500	145,000,000	0	447,397,819	I 784,597,319	12,327,025,974	9.49%
1999-2000	14,237,669,453	8.59%	77,059,168	90,000,000	J 0	629,000,000	K 796,059,168	13,441,610,285	9.04%
2000-2001	14,383,516,932	1.02%	114,974,172	L 0	120,000,000	270,000,000	M 504,974,172	13,878,542,760	N 3.25%
2001-2002	14,863,745,843	3.34%	157,936,000	0	0	0	O 157,936,000	14,705,809,843	N 5.96%
2002-2003	14,351,822,876	-3.44%	31,158,000	0	0	0	31,158,000	14,320,664,876	-2.62%
2003-2004	14,914,222,783	Q 3.92%	27,601,000	15,000,000	0	0	42,601,000	14,871,621,783	3.85%
2004-2005	16,024,170,294	7.44%	45,192,000	76,797,361	0	4,500,000	R 126,489,361	15,897,680,933	6.90%
2005-2006	17,341,821,310	S 8.22%	54,960,000	125,000,000	0	0	179,960,000	17,161,861,310	7.95%
2006-2007	19,102,281,272	10.15%	206,343,300	222,229,189	0	0	428,572,489	18,673,708,783	8.81%
2007-2008	20,817,042,249	T 8.98%	230,741,100	145,000,000	0	0	375,741,100	20,441,301,149	9.47%
2008-2009	21,437,970,761	2.98%	129,082,062	69,839,238	0	0	198,921,300	21,239,049,461	3.90%
2009-2010	19,039,174,596	U,V -11.19%	4,875,000	0	0	0	4,875,000	19,034,299,596	-10.38%

* Includes Local Government Hold Harmless Revenue; additional information is available from the Department of Revenue at http://www.dor.state.nc.us/publications/hold_harmless_2009.pdf

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Notes

- A \$25.8 million transferred to the Highway Fund
- B Amount shown is net after transfer of \$6.6 million to EHNR operating budget
- C Amount shown is net after transfer of \$4.4 million to EHNR operating budget
- D Repairs/Renovations of \$130 million were funded directly from earmarked reserve as was \$39,519,567 additional items by transferring funds appropriated from the General Fund for the Fiscal Year 1995-96 to a capital improvement reserve
- E Adjusted to reflect supplemental appropriation for Community Colleges for 1996-97 as appropriated by the 1997 Session
- F \$47.1 million for the Clean Water Management Trust Fund and Wetlands Restoration Fund earmarked from year-end credit balance
- G Adjusted to reflect Year 2000 Conversion appropriation made for 1997-98 by 1998 Session
- H \$49.4 million for the Clean Water Management Trust Fund earmarked from year-end credit balance
- I Includes \$400 million for Bailey/Emory/Patton Reserve and \$47.4 million for Clean Water Management Trust Fund earmarked from year-end credit balance
- J Originally \$150 million but \$60 million was transferred to the Hurricane Floyd Disaster Relief Fund; this redirection of funds does not affect current operations amount
- K Includes \$399 million for Bailey/Emory/Patton Reserve; \$200 million for Intangibles Settlement Reserve; and \$30 million for Clean Water Management Trust Fund earmarked from year-end credit balance
- L Includes \$100 million direct appropriation to R & R, due to insufficient year-end credit balance for earmarking
- M Includes \$240 million transfer to the Reserve for Intangibles Tax Settlement effective June 30, 2000 and \$30 million direct appropriation to Clean Water Management Trust Fund, due to insufficient year-end credit balance for earmarking
- N Amounts for FY 2000-01 and FY 2001-02 differ from amounts published in the Overview document for the 2000 and 2001 Sessions. The amounts shown for "Total Authorizations" and "Total Current Operations" have been revised.
- O Effective July 1, 2001, the General Assembly established an annual General Fund appropriation for the Clean Water Management Trust Fund; as such funding for this program is included in the Total Current Operations amount for FY 2001-02 and all subsequent fiscal years.
- Q Includes \$24 million in economic development funding appropriated in S.L. 2003-435 and \$64.1 million in emergency funding appropriated in S.L. 2004-88
- R Statutorily established the "JDIG Reserve Fund" to make annual appropriations to the Job Development Investment Grants Program. In response to the Governor's appropriation limit, appropriations made to this Reserve in the FY 2004-05 are not considered to be part of the current operating budget.
- S Includes an additional \$15 million in emergency funds appropriated mid-year for the Department of Corrections as per S.L. 2006-2 (HB 1868).
- T Total Authorizations include additional funding passed in HB 265 (Establish High-Risk Pool), HB1517 (Voter-Owned Elections Pilot); and Extra Session: HB 4 (Job Maintenance and Capital Development Fund).
- U S.L. 2007-323, Sec. 31.16.3.(c) changed the calculation of the Hold Harmless Distribution effective January 1, 2008.
- V Total Authorizations include additional funding passed in S.L. 2009-475 (Budget Technical Corrections).

Earmarking of the Unreserved Fund Balance by Fiscal Year
(Includes Earmarkings / Transfers / Appropriations Directly from Year End Balance)

Fiscal Year	June 30th Unreserved Fund Balance b/f Earmarking A	Statutory Earmarkings, Transfers and Appropriations of Year-end Fund Balance							Unreserved Fund Balance for Subsequent FY Beginning July 1st
		Savings Reserve Account	Repairs & Renovations Account	Clean Water Management Trust Fund B	Tax Relief/ Tax Refunds	Other Earmarking	Appropriation of Reversions	Total	
1991-92	164,773,001	41,193,253						41,193,253	123,579,748
1992-93	537,330,259	134,332,565	57,000,000					191,332,565	345,997,694
1993-94	622,712,983	155,678,246	60,000,000					215,678,246	407,034,737
1994-95	680,022,275	213,005,569 C	146,305,569 D		28,100,000 E			387,411,138	292,611,137
1995-96	726,581,754	77,342,026	130,000,000	47,100,000 F	26,200,000 G		39,803,567 H	320,445,593	406,136,161
1996-97	759,306,050		174,260,955	49,354,893	156,000,000 I	61,000,000 J		440,615,848	318,690,202
1997-98	784,224,890	21,568,903	145,000,000	47,397,819		400,000,000 L	55,027,680 K	668,994,402	115,230,488
1998-99	514,756,178		150,000,000	31,054,152			37,000,000 M	218,054,152	296,702,026
1999-00	3,869,243	967,311	2,901,932		0 N			3,869,243	0
2000-01	6,350,587				0 M	6,350,587 O		6,350,587	0
2001-02	3,785,997 P							0	25,000,000 p
2002-03	415,543,840 Q	150,000,000	15,000,000					165,000,000	250,543,840 Q
2003-04	482,842,037 R	116,666,064	76,797,361					193,463,425	289,378,612 R
2004-05	802,633,946 S	199,125,000	125,000,000					324,125,000	478,508,946 S
2005-06	1,287,766,872 T	316,151,631 U	222,229,189					538,380,820	749,386,052 T
2006-07	1,541,181,489 V	175,000,000 W	145,000,000					320,000,000	1,221,181,489 V
2007-08	668,876,937 X		69,839,238 Y					69,839,238	599,037,699 X
2008-09	92,237,091 Z							0	92,237,091

Notes

- A June 30th unreserved fund balance according to the Office of State Budget and Management and the Office of the State Controller.
- B Effective July 1, 2001, the General Assembly repealed the required earmarking of the year end credit balance for the Clean Water Management Trust Fund and established an annual appropriation for the trust fund.
- C Includes direct transfer to the Savings Reserve Account of \$66,700,000.
- D Only \$125,000,000 was appropriated by the General Assembly for Repairs/Renovations; the balance of \$21,305,569 was appropriated by the 1996 Session of the General Assembly for Special Projects.
- E Funds reserved for Future Tax Relief.

Earmarking of the Unreserved Fund Balance by Fiscal Year
(Includes Earmarkings / Transfers / Appropriations Directly from Year End Balance)

- F \$9.2 million was transferred to the Wetlands Restoration Fund in accordance with Section 27.6(d) of Chapter 18 of the 1996 Extra Session Laws.
- G Reserve for Federal Retirees Refund (\$25 million) and Federal Retiree Administration (\$1.2 million).
- H Appropriation of additional 1996-97 capital improvements of \$39,519,567 made by re-appropriating 1995-96 unexpended appropriations and the appropriation of 1995-96 reversion of \$284,000 for library grants (Library grant was not re-appropriated but held in reserve).
- I Funds reserved for Intangible Tax Remedy/Refunds.
- J Investment in North Carolina Railroad stock.
- K Appropriation of 1997-98 reversions for FY 1997-98 in accordance with S.L. 1998-212, Sec. 9.
- L Funds reserved for Bailey/Emory/Patton Reserve.
- M \$30 million appropriation for Aquariums capital improvement; \$7 million appropriated for Warren County Landfill.
- N Year-end credit balance insufficient for earmarking; General Assembly appropriated \$30 million directly to the Clean Water Management Trust Fund.
- O Transferred to the Reserve for Disaster Relief .
- P The beginning unreserved fund balance recognized by the General Assembly and included in General Fund availability for the FY 2002-03 is \$25 million, as specified in S.L. 2002-126, Sec. 2.2.(a).
- Q The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$409.2 million and \$244.2 million, respectively.
- R The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$466.7 million and \$273.2 million, respectively.
- S The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$796.5 million and \$472.4 million, respectively.
- T The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$1.296 billion and \$749.4 million, respectively.
- U Pursuant to G.S. 143-15.3, Savings Reserve earmarking is adjusted to reflect final unreserved fund balance; earmarking recognized by General Assembly in S.L. 2006-66 was \$323,871,747.
- V The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$1.493 billion and \$1.173 billion, respectively.
- W Pursuant to S.L. 2007-323, Sec. 2.2.(c1), Savings Reserve earmarking recognized by the General Assembly was \$175,000,000.
- X The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$576.1 million and \$506.2 million, respectively.
- Y Pursuant to S.L. 2008-107, Sec. 2.2.(c1), Savings Reserve earmarking recognized by the General Assembly was \$0.
- Z The unreserved fund balance recognized by the General Assembly was \$91,967,011.

Savings Reserve Account at Fiscal Year Ending June 30th

Fiscal Year	Prior Fiscal Year Current Operations Appropriation*	Statutory Goal: 8% of Prior Fiscal Year Operations Appropriation**	Unreserved Fund Balance at Fiscal Year End June 30th	Current Year Earmarking / Appropriation to Savings Reserve	Withdrawals and Adjustments	Savings Reserve Account Balance
1990-1991				141,000,000	A	0
1991-1992	7,726,343,007	386,317,150	164,773,001	41,593,253	0	41,593,253
1992-1993	7,825,507,308	391,275,365	537,330,259	134,332,565	0	175,925,818
1993-1994	8,114,332,336	405,716,617	622,712,983	155,678,246	(121,000,000) B	210,604,064
1994-1995	9,125,084,906	456,254,245	586,422,276	213,005,569	B	423,609,633
1995-1996	10,019,033,177	500,951,659	726,581,754	77,342,029	0	500,951,662
1996-1997	9,793,062,378	489,653,119	759,306,050	0	0	500,951,662
1997-1998	10,450,411,229	522,520,561	784,224,890	21,568,899	0	522,520,561
1998-1999	11,258,582,548	562,929,127	515,077,350	0	F (200,000,000) G	322,520,561
1999-2000	12,327,025,974	616,351,299	3,869,243	967,311	(285,965,824) I	37,522,048
2000-2001	13,441,610,285	672,080,514	6,350,587	120,000,000	J	157,522,048
2001-2002	13,878,542,760	693,927,138	3,785,997	90,000,000	M, N K (247,522,048) L	0
2002-2003	14,705,809,843	735,290,492	415,543,840	150,000,000	O	150,000,000
2003-2004	14,320,664,876	716,033,244	482,842,037	116,666,064	391,343 Q	267,057,407
2004-2005	14,871,621,783	743,581,089	802,633,946	199,125,000	(153,541,447) S	312,640,960
2005-2006	15,897,680,933	794,884,047	1,287,766,872	316,151,631	T 0	628,792,591
2006-2007	17,161,861,310	858,093,066	1,541,181,489	175,000,000	(17,142,913) V	786,649,678
2007-2008	18,673,708,783	933,685,439	668,876,937	0	0	786,649,678
2008-2009	20,441,301,149	1,635,304,092	92,237,091	0	(636,649,678) X	150,000,000
2009-2010	21,239,049,461	1,699,123,957				

* Includes Local Government Shared Revenues/Reimbursements

** Effective July 1, 2007, the State Budget Act (S.L. 2006-323) sets a Savings Reserve Account balance goal equal to at least 8% of the prior year operations appropriations. Prior to FY 2008-2009, there was a statutory cap of 5% of the prior year operations appropriations.

Notes

- A The General Assembly appropriated \$141 million; this reserve was used to offset a shortfall in revenue for 1990-91
- B The General Assembly authorized the transfer of \$121 million to be used for the purpose of restoring the June 30 payday.
- C Includes direct appropriation to Savings Reserve Account (\$66.7 million) and Local Government Shared Revenue (\$236.8 million).

Savings Reserve Account at Fiscal Year Ending June 30th

- D Adjusted to reflect Emergency Appropriation made to the Dept. of Community Colleges for 1996-97 by the 1997 Session.
- E Adjusted to reflect Emergency Appropriation for Year 2000 Conversion for 1997-98 (\$20,506,367) as approved by 1998 Session.
- F The 1999 General Assembly directed that no funds be transferred to the Savings Reserve Account for the fiscal year ending June 30, 1999.
- G Funds appropriated from the Savings Reserve Account to comply with the lawsuit settlement on the Intangible Tax Refunds.
- H Adjusted for \$6.5 million in Juvenile Justice Reserve transferred to Capital Improvements.
- I Funds appropriated from the Savings Reserve Account to the Hurricane Floyd Reserve Fund (Office of State Budget Disaster Relief Fund).
- J Funds appropriated directly to the Savings Reserve Account, due to insufficient year-end credit balance for earmarking.
- K Includes funds credited directly to the Savings Reserve Account from anticipated revenues, due to insufficient year-end credit balance for earmarking. Includes \$181 million credited per S.L. 2001-424, Appropriations Act and \$750,000 per S.L. 2001-514, Turfgrass Research. Due to a revenue shortfall during FY 2001-02, the Director of the Budget credited only \$90 million to the Savings Reserve Account.
- L \$8,180,351 transferred to terrorism defense initiatives and \$239,341,697 transferred to General Fund availability to cover revenue shortfall as authorized by the General Assembly.
- M Per the Office of State Budget and Management (OSBM). The beginning unreserved credit balance recognized by the General Assembly and included in General Fund availability for FY 2002-03 is \$25 million, as specified in Section 2.2(a) of S.L. 2002-126.
- N The General Assembly directed that no funds be credited to the Savings Reserve Account from the FY 2001-02 year-end credit balance.
- O Per OSBM and Office of the State Controller (OSC). The unreserved credit balance recognized by the General Assembly prior to earmarkings was \$409.2 million.
- P Per OSBM. The unreserved credit balance recognized by the General Assembly prior to earmarkings was \$466.7 million.
- Q \$391,343 in unexpended funds for FY 2001-02 terrorism defense initiatives reverted to the Savings Reserve Account.
- R June 30th credit balance per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balance recognized by the General Assembly prior to earmarkings was \$796.5 million.
- S Senate Bill 7 appropriated \$123.5 million from the Savings Reserve Account pursuant to the Hurricane Recovery Act of 2005 (S.L. 2005-1) and \$30 million for mitigation efforts recommended by the Governor.
- T June 30th credit balance and final Savings Reserve earmarking per the Office of State Budget and Management and Office of the State Controller. Estimated unreserved credit balance and Savings Reserve earmarking recognized by the General Assembly (S.L. 2006-66) was \$1.296 billion and \$323.9 million respectively.
- U June 30th credit balance and final Savings Reserve earmarking per the Office of State Budget and Management and Office of the State Controller. Estimated
- V S. L. 2006-66, Sec. 2.2.(g) Directed the State Treasurer to transfer funds from the Savings Reserve to hold Highway Fund and the Highway Trust Fund harmless from the cap on the Motor Fuels Tax.
- W Effective with the FY 1992-93 budget, the Executive Budget Act required an earmarking of the lesser of 25% of the year-end unreserved credit balance or the amount required to reach the 5% statutory cap. Effective July 1, 2007, G.S. 143C-4-2 of the State Budget Act now requires that 25% of the year-end unreserved fund balance be reserved to the Savings Reserve Account. The goal is to maintain a balance in the SRA that is at least 8% of the prior year operations appropriations. The State Budget Act (S.L. 2006-203) repealed and replaced the Executive Budget Act as of July 1, 2007.
- X S.L. 2009-16 appropriated \$250,000,000 from the Savings Reserve Account to the State's Health Plan to cover a projected shortfall in the Plan for FY 2008-09. Additionally, S.L. 2009-215 appropriated funds to the extent needed to balance the FY 2008-09 General Fund budget; in total, Governor Purdue withdrew \$386.6 million from the Savings Reserve for this purpose.

Actual Tax Revenues Collected by Major Schedules

Fiscal Year	Individual Income Tax	Corporate Income Tax	Total Income Tax	Sales & Use	Franchise	Inheritance	Beverage	Insurance	Cigarette/ Tobacco	Soft Drinks	Other	Total Tax Revenue
1970-71	301,755,720	111,841,025	413,596,745	285,893,056	61,924,665	18,808,807	56,382,987	32,368,226	16,361,491	18,550,517	17,558,198	921,444,692
1971-72	361,816,480	122,034,298	483,850,778	324,824,018	71,073,722	22,164,706	60,583,412	35,927,677	18,891,365	19,192,153	15,391,871	1,051,899,702
1972-73	431,222,164	135,086,285	566,308,449	368,746,184	80,622,288	34,030,814	63,957,863	40,802,936	20,228,597	19,724,564	19,575,349	1,213,997,044
1973-74	504,319,052	148,748,753	653,067,805	409,393,909	91,658,623	29,196,269	67,751,142	44,764,328	20,531,733	20,200,510	21,621,149	1,358,185,468
1974-75	549,927,432	165,473,944	715,401,376	423,006,813	111,742,188	26,202,077	70,042,026	47,999,930	20,753,314	18,110,432	17,925,944	1,451,184,100
1975-76	604,792,720	155,685,814	760,478,534	464,756,311	130,193,042	28,280,942	73,323,247	54,809,184	21,473,062	19,765,341	18,765,791	1,571,845,454
1976-77	782,092,041	203,397,684	985,489,725	510,295,335	146,139,025	31,038,176	75,216,249	56,609,311	20,307,632	20,119,909	24,751,396	1,869,966,758
1977-78	848,247,311	228,693,809	1,076,941,120	578,960,737	162,348,177	35,122,343	79,809,085	63,957,032	19,415,339	22,071,726	21,856,189	2,060,481,748
1978-79	996,226,723	252,704,464	1,248,931,187	646,729,888	181,454,337	37,709,225	85,115,511	71,109,177	18,826,236	23,047,831	24,294,753	2,337,218,145
1979-80	1,180,507,067	290,632,136	1,471,139,203	691,902,227	200,814,972	40,077,397	90,461,024	80,258,938	18,031,230	21,970,740	24,558,259	2,639,213,990
1980-81	1,303,517,221	279,803,897	1,583,321,118	737,098,123	235,280,325	43,433,565	95,389,760	86,188,075	18,247,220	22,278,966	24,716,296	2,845,953,448
1981-82	1,449,370,198	277,447,978	1,726,818,176	777,449,131	269,764,189	43,480,619	99,640,685	92,817,199	18,277,757	21,882,630	27,582,451	3,077,712,837
1982-83	1,550,107,336	306,517,039	1,856,624,375	823,400,004	298,560,505	44,071,761	100,343,420	98,116,843	15,618,474	21,829,242	20,460,219	3,279,024,843
1983-84	1,784,986,813	367,823,717	2,152,810,530	998,987,392	326,787,458	66,412,027	101,192,377	106,523,346	14,970,694	23,667,499	23,026,280	3,814,377,603
1984-85	2,023,463,495	489,955,619	2,513,419,114	1,155,845,141	310,142,987	71,203,186	105,075,395	116,107,705	14,907,150	24,607,217	25,414,359	4,336,722,254
1985-86	2,206,749,074	510,675,054	2,717,424,128	1,380,409,070	197,594,803	82,020,611	108,981,903	134,814,850	14,895,376	25,712,882	32,667,227	4,694,520,850
1986-87	2,565,878,217	563,528,678	3,129,406,895	1,451,612,941	206,523,263	73,540,356	112,514,998	139,229,389	11,616,044	24,828,396	31,289,835	5,180,562,117
1987-88	2,686,832,223	625,972,626	3,312,804,849	1,555,266,971	234,779,520	60,728,032	122,479,873	186,461,390	8,484,073	27,365,786	42,918,379	5,551,288,873
1988-89	3,002,323,870	549,432,007	3,551,755,877	1,681,724,768	236,296,779	67,154,138	127,614,668	187,071,844	7,952,400	27,912,071	41,059,561	5,928,542,106
1989-90	3,390,389,817	557,763,530	3,948,153,347	1,762,717,987	262,760,974	72,871,272	145,690,616	176,714,976	15,315,186	28,987,047	148,211,757	6,561,423,162
1990-91	3,534,474,150	493,213,262	4,027,687,412	1,682,340,881	372,888,415	76,790,835	153,753,340	193,240,504	15,190,478	29,752,060	140,861,252	6,692,505,177
1991-92	3,583,017,675	606,195,418	4,189,213,093	2,161,362,545	406,952,650	87,676,257	158,075,821	203,829,955	40,362,907	32,417,808	158,554,573	7,438,445,609
1992-93	3,992,016,392	429,848,526	4,421,864,918	2,344,073,330	419,986,494	89,618,065	159,142,463	198,811,590	42,880,901	34,461,373	172,177,426	7,883,016,560
1993-94	4,254,506,549	487,796,660	4,742,303,209	2,578,846,239	439,287,031	106,533,229	161,133,617	219,439,488	37,925,056	36,538,688	194,749,199	8,516,755,756
1994-95	4,665,474,733	649,389,838	5,314,864,571	2,781,683,390	458,058,989	109,865,448	163,188,783	236,215,989	44,635,750	37,958,080	219,345,056	9,365,816,056
1995-96	4,800,034,948	673,837,774	5,473,872,722	2,958,132,813	355,918,036	112,912,290	145,517,853	242,652,553	46,697,736	39,805,998	83,245,228	9,458,755,229
1996-97	5,329,990,261	717,750,574	6,047,740,835	3,127,673,443	387,811,674	132,068,325	150,208,567	258,503,720	46,677,349	31,347,645	57,115,919	10,239,147,477
1997-98	6,028,870,217	696,338,557	6,725,208,774	3,255,372,048	407,256,555	138,124,663	153,723,510	283,763,234	47,177,218	23,078,645	58,741,873	11,092,446,520
1998-99	6,606,500,278	848,509,669	7,455,009,947	3,376,206,664	409,558,340	169,935,220	158,026,529	291,230,879	44,852,542	12,349,253	48,094,529	11,965,263,904
1999-00	7,080,106,177	903,241,974	7,983,348,151	3,354,897,708	306,979,197	163,327,319	166,372,353	273,367,118	43,663,205	1,285,949	97,737,509	12,390,978,509
2000-01	7,391,342,524	460,315,086	7,851,657,610	3,435,558,577	580,431,850	123,165,443	172,698,910	305,791,331	42,025,877	51,202	61,678,611	12,573,059,411
2001-02	7,134,629,832	409,322,539	7,543,952,371	3,705,769,832	446,270,680	104,750,885	174,644,725	340,785,358	41,531,347	1,855	86,953,961	12,444,661,014
2002-03	7,088,526,873	840,499,824	7,929,026,697	3,922,821,877	429,128,005	112,504,407	170,896,551	408,873,354	41,998,713	0	101,981,180	13,117,230,784
2003-04	7,509,898,086	776,964,847	8,286,862,933	4,222,201,842	445,294,486	128,479,443	182,392,509	423,405,050	43,732,769	0	98,357,842	13,830,726,874
2004-05	8,409,288,618	1,193,529,164	9,602,817,782	4,477,159,178	498,681,391	135,211,344	189,308,658	431,664,202	42,981,044	0	99,734,304	15,477,557,903
2005-06	9,400,167,970	1,204,102,940	10,604,270,910	4,893,911,220	477,055,108	133,379,473	200,845,242	431,729,295	171,636,758	0	107,687,797	17,020,515,803
2006-07	10,507,966,531	1,451,399,198	11,959,365,729	4,995,570,841	531,412,140	161,586,810	212,608,231	475,545,413	241,174,320	0	135,776,844	18,713,040,328
2007-08	10,902,299,190	1,111,668,852	12,013,968,042	4,981,673,149	574,460,805	158,764,850	225,125,416	492,698,607	237,377,533	0	148,954,250	18,833,022,652
2008-09	9,470,227,521	835,457,592	10,305,685,113	4,677,961,056	651,888,376	104,300,000	228,489,902	466,634,797	227,077,126	0	116,517,120	16,778,553,490