



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

**2013 ANNOTATED CONFERENCE  
COMMITTEE REPORT ON THE  
CONTINUATION, EXPANSION, AND  
CAPITAL BUDGETS**

***REVISED NOVEMBER , 2013***

**(Includes summaries of provisions in S.L. 2013-360, Senate Bill 402,  
Appropriations Act of 2013; S.L. 2013-363, House Bill 112,  
Modifications/2013 Appropriations Act; and other bills and select  
budget information).**

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# FOREWORD

This document is an annotated version of The Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets for the FY 2013-15 Biennium as enacted in S.L. 2013-360, Appropriations Act of 2013(S.B. 402), and amended by S.L. 2013-363, Modifications/2013 Appropriations Act (H.B. 112).

The Annotated Report includes all legislative adjustments to the FY 2013-15 Budgets enacted during the 2013 Legislative Session. Also included are summaries of other related bills and select budgetary information.

Note on this revised edition:

On November 6, 2013, the Fiscal Research Division revised the Annotated Committee Report to correct typographical errors and missing pages. All prior versions of the Annotated Committee Report should be discarded

## **Acknowledgements**

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

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Administrative Hearings  
Auditor  
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**

Public Safety  
Judicial  
Judicial Indigent Defense  
Justice

### **Health and Human Services**

### **Natural and Economic Resources**

Environment and Natural Resources  
Agriculture and Consumer Services  
Commerce  
Commerce-State Aid  
Labor  
Wildlife Resources Commission

### **Transportation and IT**

### **Education**

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

### **Economy and Taxation**

Revenue Estimates  
Finance Committees  
Revenue Laws Study Committee  
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State Bond Proposals  
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## Table of Contents

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General Fund Availability Statement	1
Summary: General Fund Appropriations	2
<b>Education</b>	
Public Education	F 1
Community Colleges	F 28
UNC System	F 36
<b>Health and Human Services</b>	G 1
<b>Natural and Economic Resources</b>	
Agriculture and Consumer Services	H 1
Labor	H 6
Environment and Natural Resources	H 8
Wildlife Resources Commission	H 21
Commerce	H 23
Commerce – State Aid	H 39
<b>Justice and Public Safety</b>	
Public Safety	I 1
Justice	I 18
Judicial Indigent Defense	I 22
Judicial	I 24
<b>General Government</b>	
Cultural Resources	J 1
Cultural Resources – Roanoke Island Commission	J 4
Insurance	J 6
Insurance – Volunteer Safety Workers’ Compensation Fund	J 8
State Board of Elections	J 10
General Assembly	J 14
Governor	J 17
State Budget and Management	J 19
State Budget and Management – Special Appropriations	J 21
Auditor	J 23
Revenue	J 25
Secretary of State	J 27
Lieutenant Governor	J 29
State Controller	J 31
Administration	J 35
Housing Finance Agency	J 42
Office of Administrative Hearings	J 44
Treasurer	J 46
Treasurer – Retirement for Fire and Rescue Squad Workers	J 49
<b>Transportation</b>	
Highway Fund	K 1
Highway Trust Fund	K 9
Transportation Provisions	K 13

<b>Reserves, Debt Service, and Adjustments</b>	L 1
<b>Capital</b>	M 1
<b>Information Technology Services</b>	N 1
<b>Salaries and Benefits</b>	O 1
<b>Finance</b>	P 1
<b>Appendices</b>	
Full-time Equivalent Position Counts	A 1
Total General Authorizations/Current Operations	A 2
NC General Fund Operating Appropriations (Education and HHS)	A 4
Earmarking of Unreserved Fund Balance	A 7
Savings Reserve Account	A 9
Actual Tax Revenue Collected by Major Schedules	A 11



## General Fund Availability Statement

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
1 Unappropriated Balance Remaining from Previous Year	213,432,877	323,693,704
2 Projected Overcollections FY 2012-13	458,483,783	0
3 Overcollections Due to Disputed MSA Payments	71,516,217	0
4 Projected Reversions FY 2012-13	225,000,000	0
5 Adjustment from Estimated to Actual FY 2012-13 Fund Balance	73,183,661	
6 Net Supplemental Medicaid Appropriations (S.L. 2013-56 as amended by S.L. 2013-184, Sec. 13)	(308,100,000)	0
7 Less Earmarkings of Year End Fund Balance		0
8 Savings Reserve	(232,537,942)	(37,122,346)
9 Repairs and Renovations	(150,000,000)	(12,751,137)
10 <b>Beginning Unreserved Fund Balance</b>	<b>350,978,596</b>	<b>273,820,221</b>
11		
12 <b>Revenues Based on Existing Tax Structure</b>	<b>19,628,100,000</b>	<b>20,549,000,000</b>
13		
14 <b>Non-tax Revenues</b>		
15 Investment Income	13,700,000	14,100,000
16 Judicial Fees	250,200,000	251,400,000
17 Disproportionate Share	110,000,000	109,000,000
18 Insurance	72,500,000	73,400,000
19 Other Non-Tax Revenues	173,000,000	175,000,000
20 Highway Trust Fund/Use Tax Reimbursement Transfer	0	0
21 Highway Fund Transfer	218,100,000	215,900,000
22 <b>Subtotal Non-tax Revenues</b>	<b>837,500,000</b>	<b>838,800,000</b>
23		
24 <b>Total General Fund Availability</b>	<b>20,816,578,596</b>	<b>21,661,620,221</b>
25		
26 <b>Adjustments to Availability: 2013 Session</b>		
27 Reserve for Tax Simplification and Reduction Act (HB 998)	(86,600,000)	(437,800,000)
28 Repeal Certain Real Estate Conveyance Tax Earmarks	37,400,000	37,400,000
29 Repeal Certain Scrap Tire Disposal Tax Earmarks	3,475,291	3,475,291
30 Repeal Certain White Goods Management Tax Earmarks	1,217,796	1,217,796
31 Direct Portion of Solid Waste Disposal Tax to General Fund	2,300,000	2,300,000
32 Compensation Fund	(3,000,000)	(3,000,000)
33 Reserve for Repeal of Education Expenses Credit (HB 269)	0	1,500,000
34 Extend Aviation Fuel Tax Refunds	(3,186,000)	0
35 Tobacco Master Settlement Agreement (MSA)	137,500,000	137,500,000
36 MSA Disputed Payments Erroneously Paid to Golden LEAF (S.L. 2011-145)	24,639,357	0
37 Repeal North Carolina Public Campaign Fund	3,500,000	0
38 Transfer from NC Flex FICA Fund Balance	6,000,000	0
39 Transfer from E-Commerce Reserve Fund Balance	5,111,585	6,000,000
40 Transfer from Misdemeanant Confinement Fund	1,000,000	1,000,000
41 Transfer from Separate Insurance Benefits Plan for Reimbursement of Premiums Paid for State Law Enforcement Officers	16,510,611	16,510,611
42 Increase Lobbyist Fees	400,000	400,000
43 Extend Local Government Hold Harmless	(7,850,000)	0
44 Certificate of Need for Certain Replacement Equipment	(150,513)	(150,513)
45 Adjust Transfer from Insurance Regulatory Fund	(560,589)	(560,589)
46 Adjust Transfer from Treasurer's Office	175,215	175,215
47		
48 <b>Subtotal Adjustments to Availability: 2013 Session</b>	<b>137,882,753</b>	<b>(234,032,189)</b>
49		
50 <b>Revised General Fund Availability</b>	<b>20,954,461,349</b>	<b>21,427,588,032</b>
51		
52 <b>Less General Fund Appropriations</b>	<b>(20,630,767,645)</b>	<b>(20,998,801,208)</b>
53		
54 <b>Unappropriated Balance Remaining</b>	<b>323,693,704</b>	<b>428,786,824</b>

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**Summary:**  
**General Fund**  
**Appropriations**

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Summary of General Fund Appropriations						
Fiscal Year 2013-14						
2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2013-14	Adjustments	Adjustments	Changes	Changes	2013-14
<b>Education:</b>						
Community Colleges	1,037,430,475	(33,494,580)	17,359,572	(16,135,008)	2.50	1,021,295,467
Public Education	7,984,924,757	(81,794,040)	(37,170,068)	(118,964,108)	3.00	7,865,960,649
University System	2,709,551,807	(104,723,381)	(21,780,156)	(126,503,537)	0.00	2,583,048,270
<b>Total Education</b>	<b>11,731,907,039</b>	<b>(220,012,001)</b>	<b>(41,590,652)</b>	<b>(261,602,653)</b>	<b>5.50</b>	<b>11,470,304,386</b>
<b>Health and Human Services:</b>						
Central Management and Support	54,028,354	14,840,375	4,917,400	19,757,775	(6.00)	73,786,129
Aging and Adult Services	54,443,196	(300,855)	0	(300,855)	0.00	54,142,341
Blind and Deaf / Hard of Hearing Services	8,178,618	0	0	0	0.00	8,178,618
Child Development and Early Education	259,254,083	(1,590,625)	(3,348,849)	(4,939,474)	(14.00)	254,314,609
Health Service Regulation	16,761,992	(365,935)	0	(365,935)	10.00	16,396,057
Medical Assistance	3,069,576,810	391,202,327	1,170,982	392,373,309	0.00	3,461,950,119
Mental Health, Dev. Disabilities, & Sub. Abuse Services	706,797,747	(18,660,348)	11,398,203	(7,262,145)	0.00	699,535,602
NC Health Choice	80,131,026	(12,181,866)	0	(12,181,866)	0.00	67,949,160
Public Health	156,784,502	(6,605,500)	(6,024,915)	(12,630,415)	(15.00)	144,154,087
Social Services	170,629,904	(847,818)	4,826,346	3,978,528	0.00	174,608,432
Vocational Rehabilitation	39,284,143	(510,974)	0	(510,974)	0.00	38,773,169
<b>Total Health and Human Services</b>	<b>4,615,870,375</b>	<b>364,978,781</b>	<b>12,939,167</b>	<b>377,917,948</b>	<b>(25.00)</b>	<b>4,993,788,323</b>
<b>Justice and Public Safety:</b>						
Public Safety	1,722,061,784	(32,305,599)	27,137,210	(5,168,389)	(827.70)	1,716,893,395
Judicial	458,416,996	(1,990,744)	500,000	(1,490,744)	22.00	456,926,252
Judicial - Indigent Defense	114,505,898	(3,148,634)	3,772,159	623,525	(3.25)	115,129,423
Justice	77,773,575	785,351	1,167,197	1,952,548	18.00	79,726,123
<b>Total Justice and Public Safety</b>	<b>2,372,758,253</b>	<b>(36,659,626)</b>	<b>32,576,566</b>	<b>(4,083,060)</b>	<b>(790.95)</b>	<b>2,368,675,193</b>
<b>Natural And Economic Resources:</b>						
Agriculture and Consumer Services	108,918,334	4,291,568	1,875,800	6,167,368	15.00	115,085,702
Commerce	33,469,442	9,686,416	8,072,946	17,759,362	(2.17)	51,228,804
Commerce - State Aid	59,714,814	(46,669,609)	8,678,021	(37,991,588)	0.00	21,723,226
Environment and Natural Resources	109,140,591	40,086,720	4,810,000	44,896,720	64.57	154,037,311
Labor	16,196,339	500,000	0	500,000	0.00	16,696,339
Wildlife Resources Commission	18,476,588	(4,000,000)	(2,000,000)	(6,000,000)	0.00	12,476,588
<b>Total Natural and Economic Resources</b>	<b>345,916,108</b>	<b>3,895,095</b>	<b>21,436,767</b>	<b>25,331,862</b>	<b>77.40</b>	<b>371,247,970</b>

**Summary of General Fund Appropriations**

**Fiscal Year 2013-14**

**2013 Legislative Session**

		<b>Legislative Adjustments</b>				<b>Revised</b>
	<b>Continuation Budget</b>	<b>Recurring</b>	<b>Nonrecurring</b>	<b>Net</b>	<b>FTE</b>	<b>Appropriation</b>
	<b>2013-14</b>	<b>Adjustments</b>	<b>Adjustments</b>	<b>Changes</b>	<b>Changes</b>	<b>2013-14</b>
<b>General Government:</b>						
Administration	68,316,992	270,692	(1,020,659)	(749,967)	5.10	67,567,025
Auditor	11,013,547	203,921	0	203,921	2.00	11,217,468
Cultural Resources	63,626,477	(721,380)	765,048	43,668	(2.00)	63,670,145
Cultural Resources - Roanoke Island	1,058,757	(608,757)	0	(608,757)	0.00	450,000
General Assembly	52,845,390	(334,499)	(422,905)	(757,404)	(3.60)	52,087,986
Governor	5,539,743	1,630,307	0	1,630,307	0.00	7,170,050
Housing Finance Agency	9,408,417	(120,000)	(876,785)	(996,785)	0.00	8,411,632
Insurance	38,454,593	(460,589)	0	(460,589)	(9.00)	37,994,004
Insurance - Workers' Compensation Fund	2,623,654	(2,623,654)	0	(2,623,654)	0.00	0
Lieutenant Governor	444,047	231,042	6,000	237,042	3.00	681,089
Office of Administrative Hearings	4,335,464	571,241	334,938	906,179	5.00	5,241,643
Revenue	80,031,575	864,883	102,460	967,343	11.00	80,998,918
Secretary of State	11,845,185	(270,002)	0	(270,002)	(3.00)	11,575,183
State Board of Elections	5,213,445	88,928	0	88,928	1.52	5,302,373
State Budget and Management	6,951,706	500,000	0	500,000	0.00	7,451,706
State Budget and Management -- Special	49,000	(29,000)	4,892,000	4,863,000	0.00	4,912,000
State Controller	29,279,290	(568,599)	0	(568,599)	0.00	28,710,691
Treasurer - Operations	6,851,090	175,215	1,111,585	1,286,800	(1.00)	8,137,890
Treasurer - Retirement / Benefits	23,179,042	0	0	0	0.00	23,179,042
<b>Total General Government</b>	<b>421,067,414</b>	<b>(1,200,251)</b>	<b>4,891,682</b>	<b>3,691,431</b>	<b>9.02</b>	<b>424,758,845</b>
<b>Statewide Reserves and Debt Service:</b>						
<b>Debt Service:</b>						
Interest / Redemption	707,080,339	500,295	0	500,295	0.00	707,580,634
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
<b>Subtotal Debt Service</b>	<b>708,696,719</b>	<b>500,295</b>	<b>0</b>	<b>500,295</b>	<b>0.00</b>	<b>709,197,014</b>
<b>Statewide Reserves:</b>						
Salary Adjustment Reserve	0	7,500,000	0	7,500,000	0.00	7,500,000
State Health Plan Contribution	0	33,500,000	0	33,500,000	0.00	33,500,000
State Retirement System Contributions	0	36,000,000	0	36,000,000	0.00	36,000,000
Judicial Retirement System Contributions	0	1,000,000	0	1,000,000	0.00	1,000,000
Eugenics Sterilization Compensation Fund	0	0	10,000,000	10,000,000	0.00	10,000,000
Severance Reserve	0	0	16,000,000	16,000,000	0.00	16,000,000
Statewide Compensation Study	0	0	1,000,000	1,000,000	0.00	1,000,000

Summary of General Fund Appropriations						
Fiscal Year 2013-14						
2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2013-14	Adjustments	Adjustments	Changes	Changes	2013-14
Firemen's and Rescue Squad Workers' Pension Fund	0	(820,000)	0	(820,000)	0.00	(820,000)
Information Technology Fund	6,053,142	1,417,515	1,582,485	3,000,000	0.00	9,053,142
Information Technology Reserve Fund	0	5,635,000	22,365,000	28,000,000	33.00	28,000,000
NC Government Efficiency and Reform Project	0	0	2,000,000	2,000,000	0.00	2,000,000
One North Carolina Fund	9,000,000	0	0	0	0.00	9,000,000
Unemployment Insurance (UI) Reserve	0	0	23,800,000	23,800,000	0.00	23,800,000
Reserve for Escheat Fund Global TransPark Debt Repayment	0	0	27,000,000	27,000,000	0.00	27,000,000
Reserve for Pending Legislation	0	4,000,000	0	4,000,000	0.00	4,000,000
Reserve for Voter ID	0	1,000,000	0	1,000,000	0.00	1,000,000
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
Job Development Investment Grants (JDIG)	27,400,000	24,423,772	0	24,423,772	0.00	51,823,772
<b>Subtotal Statewide Reserves</b>	<b>47,453,142</b>	<b>113,656,287</b>	<b>103,747,485</b>	<b>217,403,772</b>	<b>33.00</b>	<b>264,856,914</b>
<b>Total Reserves and Debt Service</b>	<b>756,149,861</b>	<b>114,156,582</b>	<b>103,747,485</b>	<b>217,904,067</b>	<b>33.00</b>	<b>974,053,928</b>
<b>Total General Fund for Operations</b>	<b>20,243,669,050</b>	<b>225,158,580</b>	<b>134,001,015</b>	<b>359,159,595</b>	<b>(691.03)</b>	<b>20,602,828,645</b>
<b>Capital Improvements</b>						
Water Resources Projects	0	0	11,522,000	11,522,000	0.00	11,522,000
Other Capital Improvements	0	0	16,417,000	16,417,000	0.00	16,417,000
<b>Total Capital Improvements</b>	<b>0</b>	<b>0</b>	<b>27,939,000</b>	<b>27,939,000</b>	<b>0.00</b>	<b>27,939,000</b>
<b>Total General Fund Budget</b>	<b>20,243,669,050</b>	<b>225,158,580</b>	<b>161,940,015</b>	<b>387,098,595</b>	<b>(691.03)</b>	<b>20,630,767,645</b>

Summary of General Fund Appropriations						
Fiscal Year 2014-15						
2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2014-15	Adjustments	Adjustments	Changes	Changes	2014-15
<b>Education:</b>						
Community Colleges	1,037,430,475	(21,494,580)	551,572	(20,943,008)	2.50	1,016,487,467
Public Education	8,111,097,830	(68,215,430)	3,219,222	(64,996,208)	3.00	8,046,101,622
University System	2,737,874,470	(142,472,761)	4,500,000	(137,972,761)	6.00	2,599,901,709
<b>Total Education</b>	<b>11,886,402,775</b>	<b>(232,182,771)</b>	<b>8,270,794</b>	<b>(223,911,977)</b>	<b>11.50</b>	<b>11,662,490,798</b>
<b>Health and Human Services:</b>						
Central Management and Support	54,718,515	20,400,758	1,182,055	21,582,813	(6.00)	76,301,328
Aging and Adult Services	54,443,196	(100,855)	0	(100,855)	0.00	54,342,341
Blind and Deaf / Hard of Hearing Services	8,178,618	0	0	0	0.00	8,178,618
Child Development and Early Education	259,254,083	(1,590,625)	(3,348,849)	(4,939,474)	(14.00)	254,314,609
Health Service Regulation	16,761,992	(350,513)	0	(350,513)	10.00	16,411,479
Medical Assistance	3,083,576,810	524,542,281	0	524,542,281	0.00	3,608,119,091
Mental Health, Dev. Disabilities, & Sub. Abuse Services	706,797,747	(18,660,348)	16,848,589	(1,811,759)	0.00	704,985,988
NC Health Choice	80,131,026	(22,383,093)	0	(22,383,093)	0.00	57,747,933
Public Health	156,784,502	(16,818,000)	1,975,085	(14,842,915)	(175.00)	141,941,587
Social Services	170,629,904	1,102,182	4,826,346	5,928,528	0.00	176,558,432
Vocational Rehabilitation	39,284,143	(510,974)	0	(510,974)	0.00	38,773,169
<b>Total Health and Human Services</b>	<b>4,630,560,536</b>	<b>485,630,813</b>	<b>21,483,226</b>	<b>507,114,039</b>	<b>(185.00)</b>	<b>5,137,674,575</b>
<b>Justice and Public Safety:</b>						
Public Safety	1,732,859,184	(33,378,378)	(9,466,800)	(42,845,178)	(727.70)	1,690,014,006
Judicial	458,416,996	(1,990,744)	0	(1,990,744)	22.00	456,426,252
Judicial - Indigent Defense	114,505,898	(3,148,634)	0	(3,148,634)	(3.25)	111,357,264
Justice	80,773,575	1,535,351	0	1,535,351	18.00	82,308,926
<b>Total Justice and Public Safety</b>	<b>2,386,555,653</b>	<b>(36,982,405)</b>	<b>(9,466,800)</b>	<b>(46,449,205)</b>	<b>(690.95)</b>	<b>2,340,106,448</b>
<b>Natural And Economic Resources:</b>						
Agriculture and Consumer Services	108,918,334	4,991,568	1,500,000	6,491,568	15.00	115,409,902
Commerce	33,469,442	15,413,840	7,850,000	23,263,840	(3.17)	56,733,282
Commerce - State Aid	61,954,814	(50,330,047)	4,000,000	(46,330,047)	0.00	15,624,767
Environment and Natural Resources	109,220,682	48,736,554	(190,000)	48,546,554	49.57	157,767,236
Labor	16,196,339	500,000	0	500,000	0.00	16,696,339
Wildlife Resources Commission	18,476,588	(4,000,000)	0	(4,000,000)	0.00	14,476,588
<b>Total Natural and Economic Resources</b>	<b>348,236,199</b>	<b>15,311,915</b>	<b>13,160,000</b>	<b>28,471,915</b>	<b>61.40</b>	<b>376,708,114</b>



**Summary of General Fund Appropriations  
Fiscal Year 2014-15  
2013 Legislative Session**

		Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2014-15	Adjustments	Adjustments	Changes	Changes	2014-15
<b>General Government:</b>						
Administration	68,241,992	151,584	(1,346,543)	(1,194,959)	3.10	67,047,033
Auditor	11,013,547	203,921	0	203,921	2.00	11,217,468
Cultural Resources	63,629,480	(721,380)	100,000	(621,380)	(2.00)	63,008,100
Cultural Resources - Roanoke Island	1,058,757	(608,757)	0	(608,757)	0.00	450,000
General Assembly	52,845,390	(379,499)	(831,124)	(1,210,623)	(3.60)	51,634,767
Governor	5,541,825	1,630,307	0	1,630,307	0.00	7,172,132
Housing Finance Agency	9,408,417	(120,000)	(876,785)	(996,785)	0.00	8,411,632
Insurance	38,464,213	(460,589)	0	(460,589)	(9.00)	38,003,624
Insurance - Worker's Compensation Fund	2,623,654	(2,623,654)	0	(2,623,654)	0.00	0
Lieutenant Governor	444,047	231,042	0	231,042	3.00	675,089
Office of Administrative Hearings	4,350,431	571,699	105,000	676,699	5.00	5,027,130
Revenue	80,031,575	864,883	0	864,883	11.00	80,896,458
Secretary of State	11,845,185	(270,002)	0	(270,002)	(3.00)	11,575,183
State Board of Elections	5,213,445	302,294	177,505	479,799	3.52	5,693,244
State Budget and Management	7,034,217	500,000	0	500,000	0.00	7,534,217
State Budget and Management -- Special	49,000	(29,000)	1,500,000	1,471,000	0.00	1,520,000
State Controller	29,279,290	(568,599)	0	(568,599)	0.00	28,710,691
Treasurer - Operations	6,851,090	175,215	0	175,215	(1.00)	7,026,305
Treasurer - Retirement / Benefits	23,179,042	0	0	0	0.00	23,179,042
<b>Total General Government</b>	<b>421,104,597</b>	<b>(1,150,535)</b>	<b>(1,171,947)</b>	<b>(2,322,482)</b>	<b>9.02</b>	<b>418,782,115</b>
<b>Statewide Reserves and Debt Service:</b>						
<b>Debt Service:</b>						
Interest / Redemption	707,080,339	16,640,940	0	16,640,940	0.00	723,721,279
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
<b>Subtotal Debt Service</b>	<b>708,696,719</b>	<b>16,640,940</b>	<b>0</b>	<b>16,640,940</b>	<b>0.00</b>	<b>725,337,659</b>
<b>Statewide Reserves:</b>						
Salary Adjustment Reserve	0	7,500,000	0	7,500,000	0.00	7,500,000
State Health Plan Contribution	0	89,000,000	0	89,000,000	0.00	89,000,000
State Retirement System Contributions	0	36,000,000	0	36,000,000	0.00	36,000,000
Reserve for Future Benefit Needs	0	56,400,000	0	56,400,000	0.00	56,400,000
Judicial Retirement System Contributions	0	1,000,000	0	1,000,000	0.00	1,000,000
Firemen's and Rescue Squad Workers' Pension Fund	0	(820,000)	0	(820,000)	0.00	(820,000)
Information Technology Fund	6,053,142	1,417,515	3,000,000	4,417,515	0.00	10,470,657

Summary of General Fund Appropriations						
Fiscal Year 2014-15						
2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2014-15	Adjustments	Adjustments	Changes	Changes	2014-15
Information Technology Reserve Fund	0	7,820,000	23,762,485	31,582,485	44.00	31,582,485
NC Government Efficiency and Reform Project	0	0	2,000,000	2,000,000	0.00	2,000,000
One North Carolina Fund	9,000,000	0	0	0	0.00	9,000,000
Unemployment Insurance (UI) Reserve	0	0	13,600,000	13,600,000	0.00	13,600,000
Reserve for Pending Legislation	0	4,500,000	0	4,500,000	0.00	4,500,000
Reserve for Voter ID	0	1,000,000	0	1,000,000	0.00	1,000,000
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
Job Development Investment Grants (JDIG)	27,400,000	35,645,357	0	35,645,357	0.00	63,045,357
					0.00	
<b>Subtotal Statewide Reserves</b>	<b>47,453,142</b>	<b>239,462,872</b>	<b>42,362,485</b>	<b>281,825,357</b>	<b>44.00</b>	<b>329,278,499</b>
<b>Total Reserves and Debt Service</b>	<b>756,149,861</b>	<b>256,103,812</b>	<b>42,362,485</b>	<b>298,466,297</b>	<b>44.00</b>	<b>1,054,616,158</b>
<b>Total General Fund for Operations</b>	<b>20,429,009,621</b>	<b>486,730,829</b>	<b>74,637,758</b>	<b>561,368,587</b>	<b>(750.03)</b>	<b>20,990,378,208</b>
<b>Capital Improvements</b>						
National Guard Projects	0	0	3,250,000	3,250,000	0.00	3,250,000
Samarkand Training Facility	0	0	5,173,000	5,173,000	0.00	5,173,000
<b>Total Capital Improvements</b>	<b>0</b>	<b>0</b>	<b>8,423,000</b>	<b>8,423,000</b>	<b>0.00</b>	<b>8,423,000</b>
<b>Total General Fund Budget</b>	<b>20,429,009,621</b>	<b>486,730,829</b>	<b>83,060,758</b>	<b>569,791,587</b>	<b>0.00</b>	<b>20,998,801,208</b>

# **Education**

## **Section F**

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# Public Education

GENERAL FUND
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Recommended Continuation Budget	FY 13-14	FY 14-15
	\$7,984,924,757	\$8,111,097,830

## Legislative Changes

### A. Technical Adjustments

<b>1 Average Daily Membership (ADM)</b>	\$10,651,329	R	\$9,914,165	R
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Revises projected ADM to reflect 6,642 more students than originally projected for FY 2013-14 and 6,636 more students than originally projected for FY 2014-15. This adjustment includes revisions to all position, dollar, and categorical allotments.

Total revised allotted ADM for FY 2013-14 is 1,509,985, an increase of 17,192 students over FY 2012-13. Total revised allotted ADM for FY 2014-15 is 1,526,591, an increase of 16,606 students over FY 2013-14.

<b>2 ADM Adjustment: Opportunity Scholarships</b>			(\$11,797,941)	R
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Adjusts FY 2014-15 ADM to reflect the estimated decrease in public school enrollment resulting from the Opportunity Scholarship Grants authorized by Section 8.29 of this act. (H.B. 944; S.L. 2013-360, Sec. 8.29)

(A related item establishing the Scholarships appears in the UNC section of the Committee Report. See page F-37, Item 64.)

<b>3 Average Salaries for Certified Personnel</b>	(\$11,873,083)	R	(\$11,980,756)	R
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Revises budgeted funding for certified personnel salaries based on actual salary data from December 2012. The adjustment does not reduce any salary paid to certified personnel, nor does it reduce the number of guaranteed State-funded teachers, administrators, or instructional support personnel.

<b>4 Civil Penalties</b>	(\$43,030,131)	NR		
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Increases budgeted receipts from Civil Penalties and takes a corresponding General Fund reduction to reflect one-time transfers from the Departments of Justice, Revenue, and Transportation in FY 2012-13. These funds are used to support State Public School Fund requirements. (S.L. 2013-360, Sec. 5.3)

**5 Sales Tax Receipts Transfer to State Public School Fund**

(\$5,025,426) R (\$6,553,965) R

Increases the annual transfer from the Department of Revenue (DOR) to the State Public School Fund based on projected growth in State sales tax proceeds. This transfer was initiated in S.L. 2005-276, Current Operations and Capital Improvements Appropriations Act of 2005, in lieu of a State sales tax refund to local education agencies (LEAs). Funds from the DOR transfer are used to support State Public School Fund requirements. The total DOR transfer will be \$51.3 million in FY 2013-14; \$52.8 million in FY 2014-15.

**6 Exceptional Children Headcount**

(\$2,689,483) R (\$2,689,483) R

Adjusts funding budgeted for the Children With Disabilities preschool and school-age allotments to reflect actual student headcount. The continuation budget includes anticipated growth based on the projected headcount of children with disabilities. This adjustment revises budgeted funding for both preschool and school-age children with special needs to reflect the April 1, 2013 headcount and does not reduce funding per student. (S.L. 2013-360, Sec. 8.1)

**B. Elimination of the LEA Adjustment**

**7 LEA Adjustment Elimination**

\$376,124,279 R \$376,124,279 R

Eliminates the LEA Adjustment completely. The elimination is accomplished by: 1) providing additional General Fund support to lower the recurring amount of the Adjustment, and, 2) reducing specific allotments in approximately the same proportion that school districts had done the last two years to implement the Adjustment.

**8 Classroom Teachers**

(\$286,433,312) R (\$245,897,168) R

Adjusts funding to school districts for guaranteed Classroom Teacher positions, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Adjustment. Nearly 70 percent of all funds foregone by LEAs over the last two years to comply with the Adjustment came from the Classroom Teachers and Career Technical Education Months of Employment allotments. Revised ratios for distributing guaranteed positions from this allotment are as follows:

FY 2013-14

- K: 1 teacher per 19 students
- 1-3: 1 teacher per 18 students
- 4-6: 1 teacher per 24 students
- 7-8: 1 teacher per 23 students
- 9: 1 teacher per 26.5 students
- 10-12: 1 teacher per 29 students

FY 2014-15

- K: 1 teacher per 19 students
- 1: 1 teacher per 18 students
- 2-3: 1 teacher per 17 students
- 4-6: 1 teacher per 24 students
- 7-8: 1 teacher per 23 students
- 9: 1 teacher per 26.5 students
- 10-12: 1 teacher per 29 students

**9 Instructional Support Personnel**

(\$16,990,590) R (\$17,186,802) R

Adjusts funding to school districts for guaranteed Instructional Support positions, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Adjustment. Nearly 5 percent of all funds foregone by LEAs over the last two years to comply with the Adjustment came from this allotment. \$323.0 million will be available in this allotment in FY 2013-14; \$326.1 million will be available in FY 2014-15.

**10 Instructional Supplies**

(\$6,919,008) R (\$7,372,550) R

Adjusts funding to school districts for Instructional Supplies, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Flexibility Adjustment. LEAs gave up over \$5 million in FY 2012-13 from this allotment to comply with the Adjustment. \$43.2 million will be available in this allotment in FY 2013-14; \$43.3 million will be available in FY 2014-15.

**C. Other Public School Funding Adjustments**

**11 Limited English Proficiency**

(\$6,000,000) R (\$6,000,000) R

Reduces the allotment for Limited English Proficiency. Of the \$6 million reduction, \$3 million is reduced to account for declining enrollment based on revised student headcount figures. \$75.3 million will be available in this allotment in FY 2013-14; \$82.0 million will be available in FY 2014-15.

**12 ACT Assessments**

\$7,500,000 R \$7,500,000 R

Provides a dedicated source of State funding for the administration of the ACT testing suite, which includes the ACT, PLAN, EXPLORE, and WorkKeys diagnostic assessments.

**13 School Bus Replacement**

(\$29,823,055) R (\$39,102,605) R

Reduces funding for school bus replacement and modifies the school bus replacement standards. Currently, school buses are eligible for replacement after 20 years or 200,000 miles of service. This item modifies the mileage and age standards and appropriates sufficient funding to replace all school buses meeting the revised criteria. 539 buses will be replaced in FY 2013-14; 579 buses will be replaced in FY 2014-15. \$37.8 million will be available for this purpose in FY 2013-14; \$49.6 million will be available in FY 2014-15. (S.B. 672/H.B. 560; S.L. 2013-360, Sec. 8.11)

**14 Stop Arm Cameras**

\$690,000 R \$690,000 R

Provides funding to purchase two school bus stop arm safety cameras for all 115 LEAs in both years of the biennium. The cameras are intended to improve student safety by serving as a visible deterrent to potential stop arm violators and documenting actual violations for use in prosecution. (S.L. 2013-293; H.B. 428)

**15 Low Wealth Supplemental Funding**

(\$15,526,391) R (\$15,526,391) R

Adjusts the supplemental allotment for school districts in low wealth communities to align funding availability with actual school district eligibility. This adjustment will not reduce funding to eligible districts. In addition, the Low Wealth formula is adjusted to provide the same amount of supplemental funding to school districts in certain low wealth counties that was received in FY 2012-13. These local school administrative units have an average daily membership of more than 23,000 students and are in counties that also contain a base of the Armed Forces of the United States. \$213.1 million will be available in this allotment in FY 2013-14 and FY 2014-15. (H.B. 975; S.L. 2013-360, Sec. 8.3)

(S.L. 2013-363, Sec. 3.19, Modifications/2013 Appropriations Act amends S.L. 2013-360 to clarify that the measure of potential funding supplantation will be based on a county's local current expense appropriations, not current expense expenditures.)



**16 Small County Supplemental Funding**

(\$949,694) R (\$3,192,877) R

Reduces funding for this supplemental allotment for small counties in FY 2013-14 to align funding availability with actual school district eligibility. In FY 2014-15, this allotment is restructured to restrict eligibility to only those counties with ADM of 3,200 or less and to provide per-pupil funding on a sliding scale based on the size of the school district. LEAs made ineligible under this formula will have their allotment phased-out over a five-year period. Section 8.4 provides additional details on this change. \$44.6 million will remain in this allotment in FY 2013-14 and \$42.4 million will remain in FY 2014-15. (S.L. 2013-360, Sec. 8.4)

(S.L. 2013-363, Sec. 3.11, Modifications/2013 Appropriations Act amends S.L. 2013-360 to clarify that counties may not have more than 4,000 students in average daily membership to retain funding eligibility and the measure of potential funding supplantation will be based on a county's local current expense appropriations, not current expense expenditures.)

**17 Education Value Added Assessment System (EVAAS)**

\$850,000 R \$850,000 R

Increases General Fund support for EVAAS to continue expansion initially supported by receipts in FY 2012-13. The expansion enables: 1) direct access to value-added information for teachers who teach classes with an End of Course/End of Grade test, and 2) capability for users to export EVAAS data and merge it with other relevant analyses. Total annual EVAAS funding will be \$2.7 million.

**18 EVAAS School Performance Grades**

\$300,000 NR \$100,000 R

Provides funds for the data collection, analysis and calculation of school performance grades. (S.L. 2013-360, Sec. 8.13 and 9.4)

**19 Teacher Assistants**

(\$110,000,000) R (\$110,000,000) R  
(\$10,000,000) NR

Reduces Teacher Assistants funding by 21 percent in FY 2013-14 and 19 percent in FY 2014-15 and allocates funding on the basis of student headcount in grades K-3. In FY 2013-14, \$450.8 million will remain in this allotment. In FY 2014-15, \$447.4 million will remain in this allotment.

**20 Education-Based Salary Supplements**

(\$18,700,000) R

Phases out education-based salary supplements in FY 2014-15 for certain education personnel not compensated for such supplements in FY 2013-14. (S.L. 2013-360, Sec. 8.22)

**21 Educator Effectiveness and Compensation Task Force**

\$62,000 NR

Supports the costs associated with a newly established North Carolina Educator Effectiveness and Compensation Task Force, created in Section 8.31. (H.B. 719; S.L. 2013-360, Sec. 8.31)

**22 Advanced Placement/International Baccalaureate**

\$1,500,000 R \$12,331,184 R

Provides support to encourage Advanced Placement (AP) and International Baccalaureate (IB) participation in all LEAs and defray student fees for AP/IB tests. FY 2013-14 funds support the creation and initial efforts of the North Carolina Advanced Placement Partnership. FY 2014-15 funds support the Partnership and student test fees. (H.B. 969; S.L. 2013-360, Sec. 8.27)

**23 School Safety**

\$9,000,000 R \$9,000,000 R

Provides \$7 million in recurring support for School Resource Officers in elementary and middle schools and \$2 million for installing and maintaining panic alarms in public schools. (S.B. 589/H.B. 452; S.L. 2013-360, Sec. 8.36 and 8.37)

**24 Career and Technical Education Test Fees**

\$1,252,157 R \$1,302,243 R

Provides support to defray student fees for examinations leading to industry certifications and credentials. (H.B. 968; S.L. 2013-360, Sec. 8.28)

**25 Education Innovation Grants**

Provides support for a pilot program that will make competitive grants to foster innovation in education with a goal to graduate more career- and college-ready students. (H.B. 902; S.L. 2013-360, Sec. 8.34)

(S.L. 2013-363, Sec. 3.10, Modifications/2013 Appropriations Act, amends this item to place the program and the associated \$2 million in funding in the Office of the Governor. The item now appears in the General Government section of the Committee Report. See page J-17, item 26.)

**26 Cooperative and Innovative High School Allotment**

\$310,669 R \$310,669 R

Provides Cooperative and Innovative High School allotment funding for Yadkin Valley Regional Career Academy. (S.B. 94)

**D. Pass-through Funds**

**27 Teach for America**

\$5,100,000 R \$5,100,000 R

Provides additional State support to Teach for America (TFA), an organization that focuses on new teacher recruitment, training and placement in high-need school districts. Funds will support the establishment of a TFA program in the Triad region, growth of existing efforts in Southeastern North Carolina, targeted subject-specific recruitment, and the assumption of management responsibilities for the NC Teacher Corps program beginning in FY 2014-15. State support for TFA will total \$6 million in both years of the biennium. (S.L. 2013-360, Sec. 8.21)

**28 Tarheel Challenge**

(\$767,719) R (\$767,719) R

Transfers funding from the Department of Public Instruction (DPI) for Tarheel Challenge, a National Guard program for at-risk youth, to the Department of Public Safety (DPS) budget. The State funds were transferred to DPI in 2009, but federal matching funds remain with DPS. This transfer consolidates all of the funding for Tarheel Challenge in one place. A corresponding increase can be found in the Justice and Public Safety Section of this budget.

**29 North Carolina Center for the Advancement of Teaching (NCCAT)**

(\$3,219,222) R (\$3,219,222) R

Shifts State support for the ongoing operations of this teacher professional development provider to nonrecurring funding over the upcoming biennium while the General Assembly reviews NCCAT's progress in redesigning its activities. (S.L. 2013-360, Sec. 8.10)

\$3,219,222 NR \$3,219,222 NR

**30 Teaching Fellows**

(\$3,095,000) R (\$6,190,000) R  
(\$1,300,000) NR

Continues the phase-out of State support for the Teaching Fellows program begun in S.L. 2011-145, Current Operations and Capital Improvements Appropriations Act of 2011. This adjustment continues the reductions initiated in the preceding biennium while preserving the prior General Assembly's intent to support obligations made to previous Fellows classes until the State's scholarship commitment is completed. Additionally, this item reduces the cash balance of the Teaching Fellows Trust Fund by \$1.3 million in FY 2013-14.

(S.L. 2013-363, Sec. 3.8, Modifications/2013 Appropriations Act, clarifies that the fund balance reduction will be taken to Budget Code 63501 instead of 13510)

**E. Department of Public Instruction**

**31 Office of Charter Schools**

\$320,000 R \$320,000 R

Adds three consultant positions to DPI's Office of Charter Schools. These positions will be used to keep pace with the increase of newly-established charter schools in North Carolina. Funds are included for salaries and benefits, travel, technology needs, and miscellaneous expenses.

3.00 3.00

**32 DPI Flexible Reduction**

(\$780,491) R (\$780,491) R

Reduces State support for Department of Public Instruction operations, including salaries and benefits, by 1.8 percent. The State Board of Education may allocate this reduction at its discretion.

**F. Excellent Public Schools Act**

**33 Excellent Public Schools Act**

Provides additional funds to the Department of Public Instruction to carry out elements of the Excellent Public Schools Act contained in Section 7A.1 of S.L. 2012-142, except for the reading plans and workshops for parents of retained students authorized by the Act in G.S. 115C-83.8(d). (S.L. 2013-360, Sec. 8.30)

\$5,000,000	R	\$5,000,000	R
\$13,578,841	NR		

**34 Merit Pay for Teachers**

Provides funds to allow superintendents to provide a \$500 annual pay raise in FY 2014-15 for each teacher opting to enter into a four-year contract based on effectiveness. (S.B. 361; S.L. 2013-360, Sec. 9.6)

\$10,200,000	R
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**Total Legislative Changes**

(\$81,794,040)	R	(\$68,215,430)	R
(\$37,170,068)	NR	\$3,219,222	NR

**Total Position Changes**

3.00		3.00	
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**Revised Budget**

\$7,865,960,649		\$8,046,101,622	
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# Special Provisions

## 2013 Session: HB 112

**Department:** Public Education

Section: 3.3

Title: **TECHNICAL CHANGE: CLASS SIZE REQUIREMENTS**

Summary Articulates the General Assembly's policy regarding class size requirements in Subsections (a) through (c) by modifying G.S. 115C-301, G.S. 115C-47(10), and G.S. 115C-276(k). LEAs will continue to have maximum flexibility to use allotted teacher positions to maximize student achievement in grades 4-12.

Subsection (d) clarifies that for the 2013-15 biennium, class size requirements in grades K-3 shall remain unchanged.

Section: 3.5

Title: **BUDGET CHANGE: SCHOOL PRINCIPAL POSITIONS FOR REGIONAL SCHOOLS**

Summary Modifies G.S. 115C-238.70 to guarantee 12 months of employment for a school principal position for regional schools with a final total average daily membership of 100 or more students.

Section: 3.6

Title: **TECHNICAL CHANGE: SCHOOL PERFORMANCE GRADES**

Summary Amends S.L. 2013-360, Sec 9.4(b), Appropriations Act of 2013, to correct an incorrect reference to the name of a school course.

Section: 3.8

Title: **TECHNICAL CHANGE: CLARIFY BUDGET CODE FOR REDUCTION IN TEACHING FELLOWS TRUST FUND**

Summary Clarifies S.L. 2013-360, Appropriations Act of 2013 (S.B. 402), to ensure that the reduction in the cash balance for the Teaching Fellows Trust Fund is taken from Budget Code 63501.

(See the Education section of the Committee Report on page F-7, Item 30.)

Section: 3.9

Title: **BUDGET CHANGE: KINDERGARTEN ENTRY ASSESSMENT**

Summary Phases in the implementation of the developmental screening and kindergarten entry assessment required by G.S. 115C-83.5. The assessment must be administered in at least 50 percent of LEAs in FY 2014-15 and in all LEAs in FY 2015-16.

Section: 3.10

Title: **BUDGET CHANGE: REDIRECT EDUCATION AND WORKFORCE INNOVATION PROGRAM AND FUNDS TO OFFICE OF THE GOVERNOR**

Summary Amends S.L. 2013-360, Sec. 8.34, Appropriations Act of 2013, and the corresponding item 25 on Page F-6 of the Committee Report to redirect the Education and Workforce Innovation program and its \$2 million annual appropriation to the Office of the Governor.

Section: 3.11

Title: **TECHNICAL CHANGE: SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

Summary Amends S.L. 2013-360, Sec. 8.4, Appropriations Act of 2013, to (1) correct the eligibility criteria in Subsection (a), and (2) modify the nonsupplant requirements found in Subsection (g). This correction maintains the eligibility and nonsupplant criteria that have historically been used for this allotment.

Section: 3.18

Title: **TECHNICAL CHANGE: BROADEN SUCCESSFUL PARTICIPATION IN ADVANCED COURSES**

Summary Amends S.L. 2013-360, Sec. 8.27(c), Appropriations Act of 2013, to correct a reference to the PLAN precursor test to the ACT.

Section: 3.19

Title: **TECHNICAL CHANGE: MODIFY LOW WEALTH SUPPLEMENTAL FUNDING SUPPLANTATION MEASUREMENTS**

Summary Amends S.L. 2013-360, Sec. 8.3, Appropriations Act of 2013, to modify the nonsupplant requirements found in Section 8.3(g). This correction maintains the nonsupplant calculation that has historically been used for this allotment.

Section: 3.20

Title: **BUDGET CHANGE: STUDY OF NONSUPPLANT REQUIREMENTS**

Summary Requires the Department of Public Instruction (DPI) to study the nonsupplant requirements for low-wealth counties supplemental funding and small county supplemental funding allotments. The study shall include consideration of potential modifications that would account for increases to local fund balances from the previous year. DPI shall report the results of the study to the Fiscal Research Division by March 15, 2014.

## **2013 Session: SB 402**

**Department:** Public Education

Section: 8.1

Title: **FUNDS FOR CHILDREN WITH DISABILITIES**

Summary Provides \$3,743.48 per child for children with disabilities to each local education agency (LEA) for the lesser of (i) all children who are identified as children with disabilities, or (ii) 12.5 percent of the LEA's average daily membership (ADM).

Section: 8.2

Title: **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

Summary Provides \$1,233.01 per child for academically and intellectually gifted children for a maximum of 4 percent of each LEA's allotted ADM for the 2013-14 school year.

Section: 8.3

Title: **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

Summary Continues the formula for determining eligibility for and distribution of funds appropriated in FY 2013-14 and FY 2014-15 for supplemental funding for public schools in low-wealth counties. Section 8.3.(h) continues funding for counties containing a base of the Armed Forces of the United States and that have an ADM of more than 23,000 students regardless of other attributes that would make those counties ineligible for funding.

(S.L. 2013-363, Sec. 3.19, Modifications/2013 Appropriations Act, amends this provision to correct a technical issue with the nonsupplant requirements found in Section 8.3.(g). This correction maintains the nonsupplant language that has historically been used for this allotment.)

Section: 8.4

Title: **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

Summary Continues the formula for determining eligibility for and distribution of funds appropriated in FY 2013-14 for supplemental funding for public schools in small counties. Implements a new formula effective FY 2014-15 that will provide a sliding scale of per-student funding to all county LEAs with ADM of 3,200 or fewer. LEAs made ineligible by the new formula in FY 2014-15 will be phased-out over a five-year period.

(S.L. 2013-363, Sec. 3.11, Modifications/2013 Appropriations Act, amends this provision to correct a technical issue with the eligibility requirements for supplemental funding for public schools in small counties in FY 2013-14. This Section further modifies the nonsupplant requirements found in Subsection (g). This correction maintains the nonsupplant language that has historically been used for this allotment.)

Section: 8.5

Title: **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

Summary Continues the formula for the DSSF allotment. The provision allots the dollar equivalent of a teaching position (including benefits) based on the eligible DSSF population as defined by the State Board of Education and the difference between an allotment ratio of 1:21 and a lower proposed ratio (depending on an LEA's wealth, per the Low Wealth formula). Additionally, the provision holds harmless the original 16 pilot LEAs; these LEAs may not receive less than their FY 2006-07 allotment.

Section: 8.6

Title: **BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION**

Summary Allows DPI to reorganize only after consulting with the Office of State Budget and Management (OSBM) and the Fiscal Research Division, and reporting to the Joint Legislative Commission on Governmental Operations.

Section: 8.7

Title: **LITIGATION RESERVE FUNDS**

Summary Permits the State Board of Education to expend up to \$500,000 each year for FY 2013-14 and FY 2014-15 from unexpended funds for certified employees' salaries to pay expenses related to litigation.

Section: 8.8

Title: **UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

Summary Directs that funds appropriated for UERS shall not revert at the end of FY 2012-13.

Section: 8.9

Title: **REVISE NC VIRTUAL PUBLIC SCHOOLS (NCVPS) COST CALCULATION DATE**

Summary Amends second semester date by which the State Board of Education is annually required to calculate the actual instructional cost of NCVPS for each LEA and charter school from February 21 to February 28.

Section: 8.10

Title: **NC CENTER FOR THE ADVANCEMENT OF TEACHING**

Summary Requires the North Carolina Center for the Advancement of Teaching to provide a report to the Fiscal Research Division by February 1, 2014. The report will allow the General Assembly to systematically review whether to continue, reduce, or eliminate funding for the program.

Section: 8.11

Title: **SCHOOL BUS REPLACEMENT**

Summary Modifies the current State Board of Education (SBE) standards utilized in determining replacement bus eligibility and codifies a new set of standards in G.S. 115C-249. Under the new standards, a bus becomes eligible for replacement when it is either 20 years old or has been operated for 250,000 miles, except as follows:

- Buses operated for less than 150,000 miles are not eligible for replacement; and
- A bus that is less than 15 years old is not eligible for replacement until it has been operated for at least 300,000 miles.

The language further allows the SBE to replace up to 30 buses a year that do not meet the above criteria, but for which there are safety concerns, mechanical, or structural problems.

Additionally, the provision creates a \$2,000 annual incentive to local school administrative units (LEAs) that forego State-funded replacement of eligible buses within certain parameters. This incentive bonus could be used by LEAs for both student transportation and other school-related purposes.

Section 8.11.(b) provides a hold harmless period for the 2013-15 biennium to enable the purchase of replacement vehicles that are over 20 years old or meet the criteria set forth in G.S. 115C-249, as revised by Section 8.11.(a). (H.B. 560/S.B. 672)

Section: 8.13

Title: **EVAAS SCHOOL PERFORMANCE GRADES**

Summary Exempts the SBE from the requirements of Section 7.7(c) for the development of school performance scores and grades.



Section: 8.14

Title: **LEA BUDGETARY FLEXIBILITY**

Summary Modifies G.S. 115C-105.25 to codify much of the budgetary flexibility granted to LEAs over the past four fiscal years. The new language:

- Removes transfer limitations on funds for teacher assistants and limitations on which grades can be served by teacher assistants.
- Allows funds for children with disabilities and career and technical education to be transferred only as permitted by federal law, or as provided by SBE rules.
- Removes transfer limitations on classroom materials/instructional supplies, textbooks, and noninstructional support.
- Maintains prohibition on transferring funds into the central office administration allotment.
- Removes transfer limitations on limited English proficiency and driver's education.
- Removes transfer limitations on classroom teachers.
- Continues authorization to convert classroom teacher positions at the statewide average salary for the purposes of contracting for visiting international exchange teachers.
- Requires that all other transfers of classroom teacher positions to be converted at the salary in the first step of the "A" Teachers Salary Schedule.
- Allows for the conversion of school building administration positions at the first step of the Principal III Salary Schedule, or at the first step of the Assistant Principal Salary Schedule, as appropriate.
- Removes transfer limitations on funds for academically or intellectually gifted students.
- Removes transfer limitations on funds for the Alternative Schools/At-Risk Student allotment.
- Prohibits the transfer of funds allotted to carry out the elements of the Excellent Public Schools Act.

This Section further requires LEAs to publish budget information on their websites in plain language. (S.B. 374)

Section: 8.15

Title: **RESIDENTIAL SCHOOLS**

Summary Continues two policies related to the operation of the Eastern North Carolina School for the Deaf, the Governor Morehead School for the Blind, and the North Carolina School for the Deaf (collectively, the "residential schools").

Subsection (a) prohibits the Department of Public Instruction (DPI) from transferring school-based personnel from the residential schools to central office administrative positions.

Subsection (b) allows DPI to retain all proceeds generated from the rental of building space on the residential school campuses. Such proceeds shall be used to staff and operate the residential schools.

Section: 8.16

Title: **EXCELLENT PUBLIC SCHOOLS ACT/SUMMER READING CAMPS**

Summary Directs that funds appropriated for summer reading camps, as defined in G.S. 115C-83.3(9) shall not revert at the end of each fiscal year and shall remain available until expended.

Section: 8.17

Title: **PARTICIPATION IN COMMUNITIES IN SCHOOLS LEARNING INITIATIVE**

Summary Exempts the Harvard University Reads for Summer Learning Initiative from the mandatory retention requirements of the Read to Achieve program, as set out in G.S. 115C-83.7 and G.S. 115C-238.29F, for FY 2013-14 and FY 2014-15.

Subsection (b) requires Communities in Schools of North Carolina, Inc. to report to the Joint Legislative Education Oversight Committee on the initiative by November 1, 2015.

Section: 8.18

Title: **INSTRUCTIONAL IMPROVEMENT SYSTEM**

Summary Allows LEAs to opt into participating in the Instructional Improvement System (IIS) beginning FY 2014-15. LEAs opting in will be charged a maximum of \$4 per student (ADM). Any unmet portion of total cost of providing the IIS will be covered by reversions. Subsection (c) directs that funds collected shall not revert and shall be used to reduce the per-student cost of the IIS in subsequent fiscal years.

Section: 8.19

Title: **STUDY OF GPA CALCULATIONS**

Summary Requires the Joint Legislative Education Oversight Committee to study the policy on calculating weighted grade point averages and class ranks, focusing especially on the proper weights for college courses. The Committee shall report to the General Assembly prior to the convening of the 2014 Regular Session.

Section: 8.20

Title: **REGIONAL SCHOOL BOARDS**

Summary Modifies G.S. 115C-238.63(a) to require that at least 50 percent of the board of directors for a regional school be representatives of the business community appointed by the board of directors for the local county chamber of commerce, in consultation with the North Carolina Economic Developers Association.

Section: 8.21

Title: **TEACH FOR AMERICA EXPANSION AND NC TEACHER CORPS**

Summary Enumerates purposes and requirements related to State funding provided to Teach for America, Inc. (TFA). Subsection (a) requires TFA to use appropriated funds to recruit, train, support and retain teachers, and to leverage State funds to raise additional funding. Additionally, TFA must expand to the Piedmont Triad and expand its current program in the southeast region of the State.

Subsection (a) also requires TFA to develop and establish three new programs:

- 1) Teach Back Home - to increase the recruitment of candidates who are residents of North Carolina;
- 2) Teach Beyond Two - to increase the number of candidates who remain working in North Carolina beyond their initial 2-year commitment; and
- 3) Ask Them to Stay - to increase the number of candidates who remain working in North Carolina beyond their initial 2-year commitment.

Finally, Subsection (a) requires TFA to increase the targeted recruitment of candidates who are working in areas of STEM education, lateral entry professionals, and veterans of the United States Armed Forces.

Subsection (b) requires TFA to report to the Joint Education Oversight Committee by March 1 of each year on the requirements set forth in Subsection (a).

Subsection (c) amends G.S. 115C-296.7 to allow the SBE to contract for the administration of the NC Teacher Corps program.

Subsection (c1) requires the SBE to enter into a contract with TFA for administration of the NC Teacher Corps program, effective July 1, 2014.

Subsection (d) requires TFA to begin administering the NC Teacher Corps program beginning FY 2014-15. TFA may begin using State funds for recruitment of NC Teacher Corps members in FY 2013-14. TFA must report to the Joint Legislative Education Oversight Committee by January 1, 2015, and annually thereafter with information on the operation of the NC Teacher Corps program.

Subsection (e) requires TFA to submit quarterly updates on the information in the report required by Subsection (d).

Subsection (f) requires the SBE to continue providing support services to NC Teacher Corps cohorts who were placed in North Carolina public schools in the 2012-13 and 2013-14 school years.

Section: 8.22

Title: **PHASE OUT CERTAIN TEACHER SALARY SUPPLEMENTS**

Summary Mandates that no teachers or instructional support personnel, except for certified school nurses and instructional support personnel positions for which a master's degree is required for licensure, shall be paid on the "M" salary schedule or receive a salary supplement for a six-year degree or doctoral degree for the 2014-15 school year, unless they were paid on that salary schedule or received that salary supplement prior to the 2014-15 school year.

Section: 8.23

Title: **PUBLIC-PRIVATE PARTNERSHIPS FOR THE READ TO ACHIEVE PROGRAM**

Summary Encourages LEAs to consider the utilization of public-private partnerships in implementing the requirements of the North Carolina Read to Achieve Program. DPI may recommend nonprofits with expertise in literacy training in low-performing schools.

Section: 8.25

Title: **INVESTING IN INNOVATION GRANT**

Summary Repeals Section 7.17 of S.L. 2012-142, Modify 2011 Appropriations Act, to correct an error in the list of LEAs participating in the federal Innovation Fund Grant: Validating Early College Strategies for Traditional Comprehensive High Schools. A new list of participating LEAs is provided in Subsection (b).

Section: 8.27

Title: **BROADEN SUCCESSFUL PARTICIPATION IN ADVANCED COURSES**

Summary Creates a new program to focus on enhancing participation in advanced high school course work. Subsection (a) modifies G.S. 115C-12(9)c1 to include measures of participation and exam performance in Advanced Placement (AP) and International Baccalaureate Diploma Programme (IB) in the annual "report card" for high schools.

Subsection (b) creates a new G.S. 115C-83.4A that does the following:

- States the General Assembly's intent to enhance accessibility and encourage students to enroll in and successfully complete more rigorous advanced courses (defined as AP and IB courses) and exempts public school students from paying any fees for AP or IB examinations or courses.
- Encourages secondary students to enroll in advanced courses.
- Requires that diagnostic tests be used to identify students who are prepared or who need additional work to be prepared to successfully complete advanced courses. Schools may also establish other criteria for identifying students for potential enrollment in advanced courses.
- Requires LEAs to provide information to students and parents on available opportunities to take advanced courses.
- Requires LEAs to ensure that all high school students have access to advanced courses in language arts, mathematics, science, and social studies.
- Requires SBE to seek a partner to form the North Carolina Advanced Placement Partnership (the Partnership). The Partnership shall provide professional development and technical assistance to teachers and administrators, with a focus on low-performing schools.
- Requires the Partnership to report annually to DPI on professional development and technical assistance activities.
- Requires SBE to report annually to the Joint Legislative Education Oversight Committee on advanced courses in North Carolina, beginning October 1, 2014.

Subsection (c) modifies G.S. 115C-174.18 to require that students who have completed or are in the last month of Algebra I be provided the opportunity to take the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) or the ACT.

Subsection (d) allocates \$10.8 million of the appropriated amounts in FY 2014-15 for testing fees. \$1.5 million in each year of the biennium shall be allocated to the Partnership.

Subsection (e) requires the SBE to use appropriated funds to (1) provide funds to LEAs to pay for advanced course testing fees, and (2) provide funds to the Partnership.

Subsection (f) states that this Section applies beginning with the 2013-14 school year. (H.B. 969)

(S.L. 2013-363, Sec. 3.18, Modifications/2013 Appropriations Act, amends this provision to correct a technical issue with the name of one of the tests referred to in the modified G.S. 115C-174.18. This Section changes the reference from the "ACT" to the "PLAN precursor test to the ACT.")

Section: 8.28

Title: **INCREASE SUCCESSFUL CAREER AND TECHNICAL EDUCATION (CTE) PARTICIPATION**

Summary Creates a new program to focus on enhancing participation in CTE high school course work. Subsection (a) modifies G.S. 115C-12, creating a new SBE responsibility to establish, implement, and determine the impact of a CTE incentive program as provided under G.S. 115C-156.2.

Subsection (b) creates a new G.S. 115C-156.2 to create a program to encourage students to earn industry certifications and credentials. Under this program, public school students are exempt from paying fees for examinations leading to industry certifications and credentials, pursuant to rules adopted by SBE. The language requires the Department of Commerce to provide SBE with a list of occupations in high need of additional skilled employees. LEAs are required to consult with the local business community to identify industry certification and credentials that the LEA may offer. Finally, the SBE is required to report to the Joint Legislative Education Oversight Committee annually beginning September 1, 2014 on the number of students in CTE courses who earned community college credit or related industry certifications or credentials. (H.B. 968)

Section: 8.29

Title: **OPPORTUNITY SCHOLARSHIPS**

Summary Establishes the Opportunity Scholarship program (the Program) in Subsection (a), modifying Article 39 of G.S. 115C to add a new Part 2A. The Program provides scholarships of up to \$4,200 to eligible students attending a private school, beginning in FY 2014-15. Opportunity Scholarships can only be used for payment of tuition and fees for books, transportation, equipment, or other items required by the private school.

In order to be eligible, students requesting a scholarship for the 2014-15 school year must be from families whose annual income is at or below 185 percent of the federal poverty guidelines. Additionally, eligible students must have been enrolled in a North Carolina public school during the spring 2014 semester.

Beginning in FY 2015-16 and subsequent school years, the students must be from a family whose annual income is at or below 246.05 percent of the federal poverty guidelines (185 percent multiplied by 133 percent). Additionally, eligible students must meet one of the following criteria:

1. Was enrolled in a public school the previous semester;
2. Received an Opportunity Scholarship during the previous school year;
3. Is entering kindergarten or first grade;
4. Is a child in foster care; or
5. Was adopted within the past year.

The award process will be determined by the State Education Assistance Authority (SEAA), per the following guidelines:

- First priority shall be given to eligible students who received a scholarship grant during the previous school year
- Of the remaining funds:
  - At least 50 percent of the remaining funds shall go to eligible students residing in households with an income level not in excess of 185 percent of poverty
  - No more than 35 percent of the remaining funds shall be used to award scholarship grants to eligible students entering either kindergarten or first grade

Scholarship applications will be made available no later than February 1, 2014, with information about the scholarship available on the SEAA website.

Subsection (b) modifies G.S. 110-86(2) to remove a reference to the Southern Association of Colleges and Schools. Nonpublic schools may now be accredited by any national or regional accrediting agencies with early childhood standards.

Subsection (c) modifies G.S. 115C-555 to make a conforming change regarding accrediting agencies, and to clarify that schools receiving scholarship grants via the Opportunity Scholarship program will still meet the definition of a Qualified Nonpublic School.

Subsection (d) authorizes SEAA to administer the Program.

Subsection (e) states the eligibility requirements for FY 2014-15, as described above.

Subsection (f) allows the SEAA to retain up to \$400,000 a year for Program administrative costs.

Subsection (g) requires the SEAA to select an independent research organization in the 2017-18 school year to perform an evaluation of the learning gain of Program students.

Subsection (h) states that this Section applies beginning with the 2014-15 school year. (H.B. 944)

Section: 8.30

Title: **REPEAL REQUIREMENT THAT SCHOOLS PROVIDE READING WORKSHOPS FOR PARENTS OF STUDENTS WHO HAVE BEEN RETAINED**

Summary Repeals G.S. 115C-83.8(d), the requirement that schools provide reading workshops for parents of students who have been retained for failing to demonstrate reading proficiency at the end of the third grade.

Section: 8.31

Title: **TASK FORCE TO STUDY TEACHER AND SCHOOL ADMINISTRATOR EFFECTIVENESS AND COMPENSATION**

Summary Creates the North Carolina Educator Effectiveness and Compensation Task Force (Task Force). The Task Force will be comprised of 18 members appointed by the Speaker of the House of Representatives and the President Pro Tempore of the Senate, and will have two cochairs.

The Task Force will make recommendations on whether to create a statewide model of incentives to encourage the recruitment and retention of highly effective educators and to consider the transition to an alternative compensation system.

The Task Force is required to report its findings and recommendations to the 2014 Regular Session of the 2013 General Assembly no later than April 15, 2014. The Task Force will terminate no later than April 15, 2014. (H.B. 719)

Section: 8.34

Title: **EDUCATION AND WORKFORCE INNOVATION PROGRAM**

Summary Establishes the Education and Workforce Innovation Program (the Program) in Subsection (a) by amending Chapter 115C of the General Statutes and adding a new Article 6C.

G.S. 115C-64.10 creates an 11-member Commission to be located administratively in DPI. The Commission will develop and administer the Program, and issue an annual report to the Joint Legislative Education Oversight Committee, the SBE, the State Board of Community Colleges, and the Board of Governors of the University of North Carolina by April 30 of each year.

G.S. 115C-64.11 establishes the Program, the goal of which is to foster innovation in education that will lead to more students graduating career and college ready. Funds appropriated to the Program will be used to award competitive grants to individual schools, LEAs, or partnerships of more than one LEA. Applicants must form a partnership with an institution of higher education and a regional business, and also demonstrate the ability to sustain innovation once grant funding ends. Additional requirements apply depending on whether the applicant is a school, an LEA, or more than one LEA. All grant applicants must fund 25 percent of program costs through local funds, and an additional 25 percent through private funds. Grants may be spent over a five-year period. Grant recipients must submit annual reports to the Commission by March 1 of each year.

Subsection (b) requires the Commission to study the most efficient way to fund dual enrollment for high school students in college coursework, reporting the results to the Joint Legislative Education Oversight Committee by October 1, 2014.

Subsection (c) requires all appointments to the Commission to be made no later than September 1, 2013, with the initial Commission meeting held no later than October 1, 2013. (H.B. 902)

(S.L. 2013-363, Sec. 3.10, Modifications/2013 Appropriations Act, amends this provision to transfer the funding for the Program and administration of the Commission from DPI to the Office of the Governor.)



Section: 8.35

Title: **SCHOOL PSYCHOLOGISTS, SCHOOL COUNSELORS, AND SCHOOL SOCIAL WORKERS**

Summary Modifies the duties of school psychologists, counselors and social workers. Subsection (a) amends Article 21 of G.S. 115C, creating a new section G.S. 115C-316.1. This Statute requires school counselors to implement a comprehensive developmental school counseling program in their schools, and to spend at least 80 percent of their work time providing direct services to students.

Subsection (b) requires each LEA to develop a transition plan for implementing the requirements of Subsection (a), and requires the SBE to develop and distribute guidelines to LEAs to assist with the implementation of Subsection (a). (H.B. 452/S.B. 589)

Section: 8.36

Title: **GRANTS FOR SCHOOL RESOURCE OFFICERS IN ELEMENTARY AND MIDDLE SCHOOLS**

Summary Requires SBE to include need-based considerations in awarding grants for school resource officers in elementary and middle schools, and requires grantees to match funding on the basis of \$1 in local funds for every \$2 in State funds. Funds may be used to either hire school resource officers, or to provide training to school resource officers. (H.B. 452/S.B. 589)

Section: 8.37

Title: **PANIC ALARM SYSTEMS**

Summary Amends G.S. 115C-47(40) in Subsection (a) to require that LEAs adopt emergency response plans in coordination with local law enforcement agencies.

Subsection (b) requires SBE to include need-based considerations in awarding grants for panic alarm systems, and requires that grantees match funding for panic alarm systems on the basis of \$1 in local funds for every \$1 in State funds.

Subsection (c) requires that every public school have a panic alarm system installed by July 1, 2015. (H.B. 452/S.B. 589)

Section: 8.38

Title: **SCHOOL SAFETY EXERCISES**

Summary Creates a new section, G.S. 115C-105.49, to encourage LEAs to hold full systemwide school safety and school lockdown exercises with local law enforcement agencies at least every two years. (H.B. 452/S.B. 589)

Section: 8.39

Title: **SCHEMATIC DIAGRAMS OF SCHOOL FACILITIES**

Summary Requires, through Subsection (a), that any LEA which already maintains schematic diagrams of its school facilities must provide those diagrams and the keys to the main entrance to local law enforcement agencies.

Subsection (b) requires any LEA that does not maintain schematic diagrams of its school facilities to report to DPI by March 1, 2014 on whether it intends to prepare diagrams and provide them to local law enforcement agencies.

Subsection (c) allows DPI, in consultation with the Department of Public Safety, to develop standards and guidelines to assist LEAs in developing schematic diagrams.

Subsection (d) clarifies that schematic diagrams are not considered a public record as defined by G.S. 132-1 and are not subject to inspection under G.S. 132-6. (H.B. 452/S.B. 589)

Section: 8.40

Title: **ANONYMOUS TIP LINE**

Summary Creates a new G.S. 115C-105.51, encouraging LEAs to develop and operate anonymous tip lines, in coordination with local law enforcement agencies. Additionally, DPI and the Department of Public Safety may develop standards and guidelines for the development, operation, and staffing of anonymous tip lines. Finally, DPI may provide information to LEAs on grants available for the purpose of establishing anonymous tip lines. (H.B. 452/S.B. 589)

Section: 8.41

Title: **SCHOOL SAFETY COMPONENT OF SCHOOL IMPROVEMENT PLANS**

Summary Modifies G.S. 115C-105.27 in Subsection (a) to require the superintendent to review the school safety components of the school improvement plans and make written recommendations on them to the local board of education. The school safety components shall not be set out in the minutes of the board. Additionally, this statute clarifies that deliberations on the school safety components of the plan shall be in closed session in accordance with G.S. 143-318.11(a)(8), and that school safety components of the plan are not public records subject to Chapter 132 of the General Statutes.

Subsection (b) makes conforming changes to G.S. 143-318.11(a)(8). (H.B. 452/S.B. 589)

Section: 8.42

Title: **CRISIS KITS**

Summary Creates a new G.S. 115C-105.52, allowing DPI, in consultation with the Department of Public Safety, the option of developing and adopting policies on the content and placement of school crisis kits in schools. A principal, in coordination with local law enforcement agencies, may place one or more kits in his or her school. (H.B. 452/S.B. 589)

Section: 8.43

Title: **SCHOOL SAFETY FOR CHARTER SCHOOLS AND REGIONAL SCHOOLS**

Summary Amends G.S. 115C-238.29F within Subsection (a) to encourage charter schools to adopt emergency response plans and to provide schematic diagrams to local law enforcement agencies.

Subsection (b) modifies G.S. 115C-238.66 to encourage regional schools to adopt emergency response plans.

Section: 8.44

Title: **EMERGENCY AND CRISIS TRAINING**

Summary Encourages the Department of Public Safety, through the North Carolina Center for Safer Schools and in conjunction with the Department of Justice and DPI, to develop school emergency and crisis training modules for school employees. (H.B. 452/S.B. 589)

Section: 8.45

Title: **VOLUNTEER SCHOOL SAFETY RESOURCE OFFICER PROGRAM**

Summary Modifies G.S. 14-269.2(a) within Subsection (a) to define a volunteer school safety resource officer.

Subsection (b) modifies G.S. 14-269.2(g) to exempt volunteer school safety resource officers from prohibitions against carrying a weapon on campus or other educational property.

Subsection (c) amends G.S. 115C-47, extending LEAs the power to enter into agreements with the sheriff or chief of police to provide security at schools by assigning volunteer school safety resource officers meeting criteria set out in G.S. 162-26 or G.S. 160A-288.4, as appropriate.

Subsection (d) amends G.S. 160A-282(c) to exempt volunteer school safety officers from the entitlement of benefits under the North Carolina Workers' Compensation Act.

Subsection (e) creates a new G.S. 162-26 to allow sheriffs to establish volunteer school safety resource officer programs. Volunteers must have prior experience as either a law enforcement officer or a military police officer with a minimum of two years of service. All volunteers must receive training on research into the social and cognitive development of elementary, middle, and high school children, as well as meet any additional criteria established by the sheriff. The volunteer must be current on his or her law enforcement training, and must be certified by the North Carolina Sheriff's Education and Training Standards Commission as meeting the educational and firearms proficiency standards required of persons serving as special deputy sheriffs. Volunteers are not required to meet physical standards, but must have a medical exam to ensure the volunteer is in good health. Volunteer school safety resource officers, the sheriff, employees of the sheriff supervising the volunteer school safety officer, and employees of the public school system shall not be liable and no cause of action shall arise for any good-faith action taken by them in the performance of duties with regard to the volunteer school safety resource officer program.

Subsection (f) creates a new G.S. 160A-288.4 to allow police chiefs to establish volunteer school safety resource officer programs, per the terms described in Subsection (e) above.

Subsection (g) makes this Section effective December 1, 2013. (H.B. 452/S.B. 589)

Section: 8.46

Title: **INFORMATION TECHNOLOGY OVERSIGHT CAPACITY**

Summary Requires the Superintendent of Public Instruction to realign existing resources within DPI to establish two new positions: Chief Information Officer and Project Management Officer. The realignment is subject to approval of SBE and the Office of State Budget and Management.

Section: 8.48

Title: **STUDY VIRTUAL CHARTER SCHOOLS**

Summary Requires SBE to study and determine needed modifications for authorization and oversight of virtual charter schools. SBE shall present the draft rules and proposed statutory changes to the Joint Legislative Education Oversight Committee by February 1, 2014.

Section: 8.49

Title: **PILOT PROGRAM TO RAISE THE HIGH SCHOOL DROPOUT AGE FROM SIXTEEN TO EIGHTEEN**

Summary Authorizes, through Subsection (a), SBE to allow the Hickory Public Schools and the Newton-Conover City Schools to establish and implement a pilot program to increase the high school dropout age from 16 to 18.

Subsection (b) allows participating LEAs to use any funds available to implement the pilot program and operate a night school program for students at risk of dropping out of high school.

Subsection (c) requires participating LEAs to report to the Joint Legislative Education Oversight Committee, the House Appropriations Subcommittee on Education, and the Senate Appropriations Committee on Education/Higher Education by January 1, 2016 with information on the pilot program.

Subsection (d) prohibits SBE from authorizing this pilot program without the receipt of a copy of a joint resolution adopted by the boards of education for Hickory Public Schools and the Newton-Conover City Schools setting forth a date to begin establishment and implementation of the pilot program.

Section: 9.1

Title: **STATE EMPLOYEE LITERACY VOLUNTEER LEAVE TIME**

Summary Modifies G.S. 126-4, directing the State Personnel Commission to establish a leave program that allows employees to volunteer in a literacy program in a public school for up to five hours each month. (S.B. 361)

Section: 9.2

Title: **MAXIMIZE INSTRUCTIONAL TIME**

Summary Modifies G.S. 115C-174.12(a) within Subsection (a) to prohibit schools from participating in more than two field tests at any one grade level during a school year. Annual tests adopted by SBE and all final exams for courses would have to be administered within the final ten instructional days of the school year for year-long courses and within the final five instructional days of the school year for semester courses. Exceptions are still allowed for individualized education plans and section 504 plans.

Subsection (b) requires SBE to report to the Joint Legislative Education Oversight Committee prior to the purchase and implementation of a new assessment instrument to assess student achievement on the Common Core State Standards, and is prohibited from purchasing any such assessment instruments without the enactment of legislation by the General Assembly. (S.B. 361)

Section: 9.3

Title: **STRENGTHEN TEACHER LICENSURE AND MODIFY LICENSURE FEES**

Summary Modifies G.S. 115C-296 within Subsection (a) to allow SBE to establish a schedule of fees for teacher licensure and administrative changes. SBE is required to report to the Joint Legislative Education Oversight Committee by March 15 in any year that the licensure fee schedule is modified.

Subsection (b) amends G.S. 115C-296 to increase the number of required credits for continuing licensure from 7.5 to 8, with at least three credits required in a teacher's academic subject area, and allows the ACT to be used in addition to the SAT as a proxy for Praxis I, if the minimum score on the ACT is 24 or the minimum score on the SAT is 1100 for teacher licensure candidates seeking admission to an approved teacher education program in North Carolina.

Subsection (c) modifies G.S. 115C-296 to require that elementary education and special education general curriculum teachers achieve a prescribed minimum score on subtests or standard exams specific to reading and mathematics. Additionally, elementary and middle school teachers must earn at least three credits related to literacy for continuing licensure. Finally, this Subsection modifies the standards for approval of teacher preparation programs to require elementary and special education general curriculum programs to show competencies in the teaching of reading, assessment and diagnosis of areas of reading difficulty, and appropriate application of instructional supports and services.

Subsection (d) exempts SBE from rulemaking in establishing a schedule of fees for teacher licensure for FY 2013-14 only.

Subsection (e) requires SBE to develop a plan to require schools of education to measure performance and provide an annual report on the demonstrated competencies in certain, specific subject areas. SBE is required to report to the Joint Legislative Education Oversight Committee on or before March 15, 2014 on the plan to include this information in the performance reports required for the 2014-15 school year.

Subsection (f) clarifies that Subsection (b) applies beginning in the 2013-14 school year, and Subsection (c) applies beginning the 2014-15 school year, and that changes do not apply to teachers who are in their fourth or fifth year of their current five-year license renewal cycle. (S.B. 361)

Section: 9.4

Title: **SCHOOL PERFORMANCE GRADES**

Summary Repeals Section 7A.3(e) of S.L. 2012-142, Modify 2011 Appropriations Act within Subsection (a). Section 7A.3(e) previously described the methodology for awarding school performance grades.

Subsection (b) amends Article 8 of G.S. 115C to create a new Part 1B detailing the methodology for awarding school performance grades. All schools will receive achievement, growth, and performance scores:

- Achievement reflects the percentage of students passing End Of Grade/End Of Course assessments or achieving other performance goals. Tests are not weighted based on student participation. That means a test taken by a portion of a school's students counts as much towards that school's achievement score as a test taken by all of the school's students.

- Growth is calculated using the Education Value-Added Assessment System (EVAAS). The EVAAS calculations take into account students' past test results to predict an expected growth that is specific to the population of students in a given school.

- Performance is the final designation of A-F, which takes into account the achievement score, and, in most cases, the growth score:

- For schools exceeding or not meeting expected growth, the performance score is based 80 percent on achievement and 20 percent on growth.

- For schools meeting expected growth:

- If the school's achievement score is 80 or higher, then that school's performance score is based 100 percent on achievement

- If the school's achievement score is below 80, then the school's performance score is based 80 percent on achievement and 20 percent on growth.

In addition to achievement, growth, and performance scores, all schools will receive an indicator reflecting whether the school has met, failed to meet, or exceeded expected growth. Schools serving grades K-8 will also get separate achievement scores for math and reading.

Subsection (c) makes conforming changes to G.S. 115C-12(9)c1.

Subsection (d) makes conforming changes to G.S. 115C-12(24).

Subsection (e) states the General Assembly's intent to provide clear information to the public regarding school performance, and requires the SBE to meet these two requirements when publishing school report cards: (1) solely use the school performance grade calculation method and resulting scores and grades; and (2) include a description of the school performance grade calculation methodology that's understandable by the general public.

Subsection (f) states that the first annual school report cards shall be issued no earlier than August 1, 2014.

(S.L. 2013-363, Sec. 3.6, Modifications/2013 Appropriations Act, amends this provision to correct a technical issue with the name of the courses used to determine school achievement scores. This Section changes the reference from "the Algebra II or Integrated Math II end of course test" to "Algebra II or Integrated Math III.")

Section: 9.5

Title: **PAY FOR EXCELLENCE**

Summary States the General Assembly's intent to implement a performance pay plan for teachers once a robust evaluation instrument and process that accurately assesses and evaluates the effectiveness of teachers is wholly implemented. (S.B. 361)

Section: 9.6

Title: **TEACHER CONTRACTS**

Summary Repeals G.S. 115C-325 within Subsection (a). That subsection had contained the laws pertaining to principal and teacher employment contracts.

Subsection (b) amends Part 3 of Article 22 of G.S. 115C to create new sections pertaining to principal and teacher employment contracts. This Subsection phases out career status for teachers over the next four years. For all probationary teachers (those teachers who do not have career status now), career status is eliminated as of August 1, 2013. Between the 2014-2015 and 2018-2019 school year, those teachers will remain on one-year contracts. The new teacher contract laws and procedures will apply to all teachers on a one- or four-year contract, beginning July 1, 2014. For all other teachers, career status will be repealed on June 30, 2018. Beginning July 1, 2018, all teachers in the State will be offered one-, two-, or four-year contracts.

Subsection (c) modifies G.S. 115C-45(c) to remove the right of noncertified employees to appeal decisions related to dismissal, demotion, or suspension without pay.

Subsection (d) amends G.S. 115C-287.1 to remove career status for those principals who were grandfathered in 1997 under the career status law for principals. These principals will now be hired on contract. Furthermore, principals will no longer have an automatic right of appeal to the Office of Administrative Hearings on contract non-renewals.

Subsection (e) requires SBE to develop by rule model contracts for use by local boards of education in awarding teacher contracts.

Subsection (f) clarifies the dates of implementation.

Subsection (g) and Subsection (h) require superintendents to review the performance of all teachers employed by the LEA for at least three consecutive years. 25 percent of these teachers will be selected based on performance to be offered four-year contracts. Teachers opting to sign a four-year contract will receive an annual pay increase of \$500 each of the four years. The contract will begin with the 2014-15 school year. (S.B. 361)

Section: 9.7

Title: **TEACHER CONTRACT CONFORMING CHANGES**

Summary Amends G.S. 115C-105.26(b)(2), G.S. 115C-105.37B(a)(2), G.S. 115C-105.38A, G.S. 115C-105.39, G.S. 115C-238.68(3), G.S. 115C-276(1), G.S. 115C-285(a)(7), G.S. 115C-333, G.S. 115C-333.1, G.S. 115C-335(b), G.S. 115C-344, G.S. 115C-404(b), G.S. 143B-146.7(b), G.S. 143B-146.8, and repeals G.S. 115C-304 to conform to changes regarding teacher contracts. (S.B. 361)

# Community Colleges

GENERAL FUND
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	FY 13-14	FY 14-15
<b>Recommended Continuation Budget</b>	<b>\$1,037,430,475</b>	<b>\$1,037,430,475</b>

## Legislative Changes

### A. Enrollment

#### 35 Enrollment Model Funding Change

	(\$19,893,462)	R	(\$19,893,462)	R
	\$4,000,000	NR		

Modifies the community college enrollment funding model. Currently, community colleges are funded based on the higher of the prior year's actual enrollment or the three-year average enrollment. This adjustment shifts the three-year average to a two-year average, and accounts for varying enrollment among the tiered funding levels.

The State Board of Community Colleges shall allocate the \$4 million nonrecurring in FY 2013-14 to phase in the reduction for those colleges most affected by the policy change. (S.L. 2013-360, Sec. 10.4)

### B. Tuition and Fees

#### 36 Curriculum Tuition

	(\$10,433,065)	R	(\$10,433,065)	R
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Increases curriculum tuition by \$2.50 per credit hour and makes a corresponding General Fund reduction in anticipation of increased tuition receipts.

Tuition will increase from \$69 to \$71.50 per credit hour for residents and from \$261 to \$263.50 for nonresidents. Tuition for full-time resident students will increase by a maximum of \$80 per year, from \$2,208 to \$2,288.

#### 37 Continuing Education Fee

	(\$664,509)	R	(\$664,509)	R
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Increases continuing education fees by \$5 per course and takes a corresponding General Fund reduction in anticipation of increased tuition receipts. The new fees will be as follows:

Classes 1-24 hours - \$70,  
 Classes 25-50 hours - \$125, and  
 Classes 51+ hours - \$180.

#### 38 Senior Citizens Tuition Waiver

	(\$970,000)	R	(\$970,000)	R
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Eliminates the tuition waiver found in G.S. 115D-5(b)(11) that waives tuition for up to six hours of credit instruction and one course of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North Carolina. (S.L. 2013-360, Sec. 10.6)



**C. Performance Funding**

<p><b>39 Restore Management Flexibility Reduction</b>                  Provides funding to restore a portion of the management flexibility reduction. These funds will be distributed to colleges in accordance with the Community College Institutional Performance Accountability structure. (S.L. 2013-360, Sec. 10.5)</p>	<p>\$9,000,000 R</p>	<p>\$24,000,000 R</p>
<p><b>40 Curriculum Formula Funding</b>                  Reduces regular formula funding for curriculum instruction. These funds will instead be distributed in accordance with the Community College Institutional Performance Accountability structure. (S.L. 2013-360, Sec. 10.5)</p>	<p>(\$7,500,000) R</p>	<p>(\$7,500,000) R</p>
<p><b>41 Continuing Education Funding Formula</b>                  Reduces regular formula funding for continuing education instruction. These funds will instead be distributed in accordance with the Community College Institutional Performance Accountability structure. (S.L. 2013-360, Sec. 10.5)</p>	<p>(\$1,500,000) R</p>	<p>(\$1,500,000) R</p>
<p><b>42 Basic Skills Funding Formula</b>                  Reduces regular formula funding for basic skills instruction. These funds will instead be distributed in accordance with the Community College Institutional Performance Accountability structure. (S.L. 2013-360, Sec. 10.5)</p>		<p>(\$3,000,000) R</p>

**D. Other State Aid Adjustments**

<p><b>43 Equipment</b>                  Provides funds for the purchase of instructional equipment and technology at all 58 colleges. These funds are in addition to the \$49 million included in the base budget for this purpose. Funds shall be distributed in accordance with the existing equipment formula.</p>	<p>\$10,000,000 NR</p>	
<p><b>44 Manufacturing Solutions Center</b>                  Provides additional funding for the Manufacturing Solutions Center at Catawba Valley Community College. Annual funding for this program will be \$696,922. (S.L. 2013-360, Sec. 10.8)</p>	<p>\$150,000 R</p>	<p>\$150,000 R</p>
<p><b>45 Textile Technology Center</b>                  Provides additional funding for the Textile Technology Center at Gaston College. Annual funding for this program will be \$503,954. (S.L. 2013-360, Sec. 10.8)</p>	<p>\$150,000 R</p>	<p>\$150,000 R</p>
<p><b>46 Customized Training</b>                  Reduces the Customized Training budget on a one-time basis. Total recurring funding for the program is \$12.5 million; however, per G.S. 115D-5.1(f2), unexpended funds for the program do not revert and are instead carried forward to the next year. The total amount available for expenditure in FY 2013-14 is projected to be \$20.8 million.</p>	<p>(\$2,000,000) NR</p>	

**FY 13-14**

**FY 14-15**

**47 Data Connectivity**

(\$647,972) R (\$647,972) R

Eliminates a portion of the recurring funding for data connectivity at each community college's main campus. Due to their concentrated buying power, community colleges were able to negotiate lower rates and these funds have remained unspent. Total funding remaining for the initiative will be \$4,986,528.

**48 BioNetwork**

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

Reduces funds for the BioNetwork program. Total funding remaining for the program will be \$4,159,611.

**49 Botanical Laboratory**

(\$164,000) R (\$164,000) R

Reduces support for the categorical allotment for the botanical laboratory at Fayetteville Technical Community College. The college will continue to receive regular FTE formula funding for enrollment at the botanical laboratory, and may use other State funding allocated to it to continue the program.

**50 NC Back-to-Work: Investing in Our Workforce**

\$4,808,000 NR

Provides nonrecurring funding for a retraining program to prepare North Carolinians facing long-term unemployment for new careers, described further in Section 10.16. This program provides students with job training, employability skills, and industry-recognized, third-party credentials. (S.L. 2013-360, Sec. 10.16)

**E. Community Colleges System Office Adjustments**

**51 GED Program Office**

2.50 2.50

Shifts \$104,266 in FY 2013-14 and \$208,533 in FY 2014-15 from the Basic Skills Block Grant to the Community Colleges System Office to administer the Adult High School and General Education Development (GED) Programs.

S.L. 2011-145 shifted this program's budget and the associated 2.5 positions from General Fund appropriations to receipt support from GED exam fees. Due to changes in the GED exam, these fees will no longer be paid to the System Office as of January 1, 2014. This item shifts the program budget, including two GED and Adult High School Tech positions and one-half of the Education Program Director position, back to General Fund appropriations.

**52 State Board Reserve**

(\$250,000) R (\$250,000) R

Reduces funding for the State Board reserve, leaving \$250,000 in this reserve.

**53 System Office Advertising and Travel**

(\$120,000) R (\$120,000) R

Reduces the System Office budget for advertising (\$100,000) and travel (\$20,000).

**54 Audit Services**

Eliminates recurring funding for the Audit Services division of the System Office. Restoration of recurring funding is subject to the results of a study by the State Board of Community Colleges. (S.L. 2013-360, Sec. 10.15)

(\$551,572) R  
\$551,572 NR

(\$551,572) R  
\$551,572 NR

(S.L. 2013-363, Sec. 3.14, Modifications/2013 Appropriations Act, amends S.L. 2013-360, Sec. 10.15, to modify the voting eligibility of certain members of the program audit study committee.)

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**Total Legislative Changes**

(\$33,494,580) R  
\$17,359,572 NR

(\$21,494,580) R  
\$551,572 NR

**Total Position Changes**

2.50

2.50

**Revised Budget**

\$1,021,295,467

\$1,016,487,467

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# Special Provisions

## 2013 Session: HB 112

**Department:** Community Colleges

Section: 3.7

**Title:** TECHNICAL CHANGE: AMEND PARTICIPATION IN THE IMPLEMENTATION OF TIERED ENROLLMENT FUNDING CHANGES

**Summary** Amends S.L. 2013-360, Sec. 10.4A, Appropriations Act of 2013, by including the Office of State Budget and Management in the implementation of the additional tier of the Tiered Funding Formula.

Section: 3.14

**Title:** BUDGET CHANGE: AMEND VOTING MEMBERS OF AUDIT STUDY COMMITTEE AND ELECTION OF CHAIR

**Summary** Amends S.L. 2013-360, Sec. 10.15, Appropriations Act of 2013 to change the designation of the Community Colleges System Office Chief Financial Officer and the State Chief Information Officer to nonvoting members of the committee to study the program audit function. Additionally, this provision requires members to elect a chair of the committee from among their members.

Section: 3.15

**Title:** TECHNICAL CHANGE: INCLUDE VETERAN'S CONNECT IN NC BACK-TO-WORK ELIGIBLE PROGRAMS

**Summary** Amends S.L. 2013-360, Sec 10.16, Appropriations Act of 2013, to clarify that the Veteran's Connect program was intended for inclusion in the NC Back-to-Work provision.

## 2013 Session: SB 402

**Department:** Community Colleges

Section: 10.1

**Title:** REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

**Summary** Allows the President of the North Carolina Community College System to reorganize the Community College System Office (System Office) in accordance with recommendations and plans submitted to and approved by the State Board of Community Colleges.

Section: 10.2

**Title:** CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

**Summary** Allows up to \$1.25 million of the funds appropriated for the College Information System to be carried forward each year of the biennium to purchase periodic system upgrades.

Section: 10.3

Title: **BASIC SKILLS PLUS**

Summary Continues the authorization of the Basic Skills Plus program, which teaches employability skills, job-specific occupational and/or technical skills, and developmental education instruction free of charge to Basic Skills students concurrently pursuing a high school diploma or equivalent certificate at a community college.

Section: 10.4

Title: **ENROLLMENT FUNDING**

Summary Changes the FTE enrollment funding model for community colleges from the higher of the current year's total enrollment or the average enrollment of the last three academic years to the higher of the current year's total enrollment or the average enrollment of the last two academic years. Additionally, the provision amends G.S. 115D-5 to allow community colleges to include students enrolled in technical education, health care, developmental education, and STEM-related courses during the summer term to be counted when computing FTE enrollment.

Section: 10.4A

Title: **TIERED ENROLLMENT FUNDING**

Summary Directs the State Board of Community Colleges (State Board) to report on a plan for implementation of a fourth tier in the Tiered Funding Formula for curriculum programs leading to immediate employment and the feasibility of beginning implementation of an additional funding level for these programs in FY 2014-15. This report is due to the House Appropriations Committee, the Senate Appropriations/Base Budget Committee, the House Appropriations Subcommittee on Education, and the Senate Appropriations Committee on Education/Higher Education by March 15, 2014.

(S.L. 2013-363, Sec. 3.7, Modifications/2013 Appropriations Act, amends this section to include the Office of State Budget and Management in the study.)

Section: 10.5

Title: **PERFORMANCE FUNDING**

Summary Amends G.S. 115D-31.3 to direct the implementation of the accountability measures and performance standards created by the State Board. Additionally, this provision establishes a process to annually review, and revise if necessary, the accountability measures and performance standards to ensure that they are appropriate for use in recognition of successful institutional performance.

Section: 10.6

Title: **REPEAL OF SENIOR CITIZEN TUITION WAIVER**

Summary Requires senior citizens to pay tuition for community college courses by repealing G.S. 115D-5(b)(11).

Section: 10.7

Title: **STUDY OF THE APPROVAL PROCESS FOR MULTICAMPUS CENTERS**

Summary Requires the State Board to develop a process for the approval of community college multicampus centers and report to the Joint Legislative Education Oversight Committee by January 1, 2014 on any statutory changes necessary to implement the plan.

Section: 10.8

Title: **COOPERATION BY THE MANUFACTURING SOLUTIONS CENTER AND THE TEXTILE TECHNOLOGY CENTER**

Summary Establishes that the strategies of the Manufacturing Solutions Center and the Textile Technology Center are complementary and that cooperation by the Centers is in the best interest of the State. Further, it directs the Centers to work cooperatively whenever possible to maximize the State's ability to help North Carolina manufacturers create and maintain jobs and increase sales.

Section: 10.9

Title: **EXPAND INDUSTRIAL AND ENGINEERING TECHNOLOGIES EDUCATION TO FRESHMAN AND SOPHOMORE HIGH SCHOOL STUDENTS**

Summary Amends G.S. 115D-20(4)(a)(2) to allow qualified freshmen and sophomore high school students to participate in programs offered at community colleges that lead to a career technical education certificate or diploma in industrial and engineering technologies and requires the System Office to report to the Joint Legislative Education Oversight Committee on the number of students utilizing the program by October 1, 2014.

Section: 10.12

Title: **CLARIFY EMPLOYEE ACADEMIC ASSISTANCE**

Summary Amends G.S. 115D-5(b1) to clarify that community colleges may use State and local funds to pay tuition and registration fees for faculty and staff members to take professional development courses and for other courses consistent with the academic assistance program authorized by the State Personnel Commission.

Section: 10.13

Title: **REVISE TARGETED ASSISTANCE CRITERIA**

Summary Amends G.S. 115D-40.1(b) to allow the State Board to allocate up to 10 percent of the funds appropriated for Financial Assistance for Community College Students to students who enroll in low-enrollment programs that prepare students for high-demand occupations, as well as students with disabilities who have been referred by the Department of Health and Human Services.

Section: 10.14

Title: **REPURPOSE OF FUNDS**

Summary Allows Forsyth Technical Community College to use up to \$300,000 of previously appropriated funds for each of the next 10 fiscal years for the operating costs and lease expenses for the College's biotechnology, nanotechnology, design, and advanced information technology programs; Small Business Center; and Corporate and Industrial Training programs. Additionally, this section reallocates all unencumbered funds from Budget Codes 40520 and 40620 and repurposes those funds for equipment.

Section: 10.15

Title: **CLARIFY COMMUNITY COLLEGE AUDITS**

Summary Amends G.S. 115D-58.16 to clarify the scope of the biennial audit of each community college.

Subsection (c) requires a study of the program audit function to be conducted by a newly created committee, to be located administratively in the System Office. The committee shall report its study results and findings to the Joint Legislative Education Oversight Committee by January 1, 2015.

(S.L. 2013-363, Sec. 3.14, Modifications/2013 Appropriations Act, amends this provision to designate that several members of the committee conducting the study shall be nonvoting members and that the members shall elect a chair.)

Section: 10.16

Title: **NC BACK-TO-WORK FUNDS**

Summary Directs the use of the \$4,808,000 appropriated for the NC Back-to-Work Program, a retraining program to prepare North Carolinians facing long-term unemployment for new careers

Section (b) mandates that the funds appropriated for the program in FY 2012-13 do not revert at the end of that fiscal year.

(S.L. 2013-363, Sec. 3.15, Modifications/2013 Appropriations Act, amends this provision to clarify that the Veteran's Connect program was intended for inclusion in the provision.)

# UNC System

GENERAL FUND
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	FY 13-14	FY 14-15
<b>Recommended Continuation Budget</b>	<b>\$2,709,551,807</b>	<b>\$2,737,874,470</b>

## Legislative Changes

### A. Strategic Directions Initiative

<b>55 Administrative and Operational Efficiencies</b>	(\$10,000,000)	R	(\$15,000,000)	R
Reduces funding in anticipation of savings from the implementation of administrative and operational efficiencies, including: <ul style="list-style-type: none"> <li>- Shared services for residency determination, internal audit, financial aid review, and IT infrastructure;</li> <li>- Strategic purchasing;</li> <li>- Span-of-control evaluations;</li> <li>- Improved business practices; and</li> <li>- Energy efficiency measures.</li> </ul>				

<b>56 Instructional Efficiencies</b>	(\$15,800,000)	R	(\$21,100,000)	R
Reduces funding in anticipation of savings from the implementation of system-wide academic programming measures, including system-wide section size guidelines and improved transferability of credits between UNC campuses.				

<b>57 Program Consolidation</b>			(\$1,900,000)	R
Reduces funding in anticipation of savings from the consolidation of small or duplicative programs within the UNC System.				

### B. Other Adjustments

<b>58 Tuition Increases for Nonresident Undergraduate Students</b>			(\$27,243,157)	R
Increases tuition rates for nonresident undergraduate students beginning in FY 2014-15. Nonresident tuition rates for undergraduate degree programs will be increased by 12.3 percent for UNC-SA, NCA&T, UNC-CH, and UNC-W and 6 percent for ASU, ECU, ECSU, FSU, NCCU, UNC-A, UNC-G, UNC-P, WCU, and WSSU.				

<b>59 Management Flexibility Reduction</b>	(\$65,805,042)	R	(\$73,610,344)	R
Mandates a management flexibility reduction for the UNC operating budget. The UNC Board of Governors shall not allocate this reduction on an across-the-board basis to constituent institutions. (S.L. 2013-360, Sec. 11.5)				

<b>60 Optional Retirement Program Forfeitures</b>	(\$4,000,000)	R	(\$4,000,000)	R
Reduces UNC's budget by \$4 million annually. The UNC System shall offset this reduction by replacing contributions to the Optional Retirement Program with forfeitures the Program receives under G.S. 135-5.1(b)(5).				



<b>61 McNair Hall Building Reserve</b>	(\$150,185)	R	(\$150,185)	R
Eliminates recurring operating funds previously budgeted for an addition to McNair Hall at NCA&T State University. The McNair Hall addition was to be part of the Graduate Engineering School Project but has been cancelled.				
<b>62 UNC School of Medicine Subsidy</b>	(\$15,000,000)	R	(\$15,000,000)	R
Eliminates the reserve for the UNC School of Medicine.				
<b>63 Institute for Regenerative Medicine</b>	\$7,000,000	R	\$7,000,000	R
Transfers funds for the Institute for Regenerative Medicine at Wake Forest University from the Commerce-State Aid budget to the UNC System budget. (S.L. 2013-360, Sec. 11.12)				
<b>64 Opportunity Scholarships</b>			\$10,000,000	R
Provides funds for Opportunity Scholarship Grants, as authorized by Section 8.29 of this act. This program will create scholarship grants of up to \$4,200 per year for eligible students to attend nonpublic schools. Also, the North Carolina State Education Assistance Authority is authorized to create two positions to support the requirements of the program. (H.B. 944; S.L. 2013-360, Sec. 8.29)				
(A related item reducing projected student headcount due to anticipated usage of the Scholarships appears in the Public Schools section of the Committee Report. See page F-1, Item 2.)				
<b>65 WCU Engineering Degree Program at Biltmore Park</b>	\$698,962	NR	\$719,844	R
Provides funding for a general engineering degree program at Western Carolina University's Biltmore Park Town Square location in Buncombe County. Funds will help support start-up costs, four full-time equivalent positions, and ongoing program operations.				
<b>C. Financial Aid</b>				
<b>66 Tuition Grant for NC Science &amp; Math Graduates</b>	(\$1,248,310)	R	(\$2,469,075)	R
Completes the phase out of the UNC tuition grant for graduates of the North Carolina School of Science and Math (NCSSM). \$1,220,765 will remain in the budget for FY 2013-14 to pay tuition for students who graduated from NCSSM in 2010; all funding is eliminated for FY 2014-15.				
<b>67 National Board Certification Loan Program</b>	(\$3,174,500)	R	(\$3,174,500)	R
Reduces recurring funding for this revolving loan program for teachers pursuing certification by the National Board for Professional Teaching Standards. Total remaining recurring funding will be \$100,000. Additionally, the available fund balance for the program is reduced, leaving \$1,300,000 to support ongoing operations. (S.L. 2013-360, Sec. 11.2(c)(3))				

**68 UNC Need-Based Grant Forward Funding Reserve**

Provides additional funding for the UNC Need-Based Grant Forward Funding Reserve, in order to shift the entire program to forward funding for FY 2015-16. In addition to these funds, an additional \$36.6 million in FY 2013-14 and \$19.1 million in FY 2014-15 is appropriated to the reserve. (S.L. 2013-360, Sec. 6.11 and 11.2)

\$3,454,656	R	\$3,454,656	R
\$20,882	NR		

**69 UNC Need-Based Grant**

Decreases General Fund support for the program on a nonrecurring basis, to offset a one-time increase from the Escheat Fund. Total funding available for scholarships in the 2013-14 academic year will remain at \$122,475,842. (S.L. 2013-360, Sec 6.3 and 11.1)

(\$27,000,000) NR

**70 NC Need-Based Scholarship**

Provides additional nonrecurring funding for the NC Need-Based Scholarship for private college students. Total program funding for FY 2013-14 and FY 2014-15 will be \$86,351,588.

\$4,500,000	NR	\$4,500,000	NR
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**Total Legislative Changes**

<b>(\$104,723,381)</b>	R	<b>(\$142,472,761)</b>	R
<b>(\$21,780,156)</b>	NR	<b>\$4,500,000</b>	NR

**Total Position Changes**

6.00

**Revised Budget**

<b>\$2,583,048,270</b>		<b>\$2,599,901,709</b>	
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# Special Provisions

## 2013 Session: HB 112

**Department:** UNC System

Section: 3.4

Title: **TECHNICAL CHANGE: REVISE APPROPRIATIONS SUBTOTALS**

Summary Amends S.L. 2013-360, Sec. 2.1, Appropriations Act of 2013, to accurately reflect the appropriations made to the Related Educational Programs and Aid to Private Institutions budgetary subtotals. This technical change does not modify total appropriations made to the University of North Carolina (UNC).

Section: 3.12

Title: **BUDGET CHANGE: REINSTATE SUNSET PROVISION ON UNC REAL PROPERTY PROVISIONS**

Summary Amends S.L. 2013-360, Sec. 11.10, Appropriations Act of 2013, by reinstating the sunset provision for the UNC System's ability to dispose and acquire real property without executive oversight. This provision will expire on June 30, 2015.

Section: 3.16

Title: **BUDGET CHANGE: REQUIRE JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE TO CONDUCT STUDY ON POTENTIAL NC GAP PROGRAM**

Summary Amends S.L. 2013-360, Sec. 11.17, Appropriations Act of 2013, to require the Joint Legislative Education Oversight Committee to perform a study of the feasibility of establishing the NC GAP Program in conjunction with the UNC Board of Governors and the State Board of Community Colleges.

## 2013 Session: SB 402

**Department:** UNC System

Section: 11.1

**Title:** **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS/STUDY SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS PROGRAM**

**Summary** Directs the appropriation of the Escheat Fund income to the University of North Carolina (UNC) Need-Based Financial Aid Program, the State Board of Community Colleges Grants, and the Department of Administration's Division of Veterans Affairs need-based student financial aid.

Subsection (a) appropriates income from the Escheat Fund to the UNC Need-Based Financial Aid Program.

Subsection (b) appropriates income from the Escheat Fund to the State Board of Community Colleges to be used for community college grants.

Subsection (c) appropriates income from the Escheat Fund to the Department of Administration, Division of Veterans Affairs for need-based student financial aid.

Subsections (d), (e), and (f) direct the State Education Assistance Authority to oversee the transfer of funds and clarifies the amount of Escheat Fund principal that may be used to make payments and under what circumstances those payments may be made.

Subsection (g) requires a study of the Scholarships for Children of War Veterans Program in the Department of Administration to be completed no later than March 1, 2014.

Section: 11.2

**Title:** **UNC NEED-BASED FINANCIAL AID FORWARD FUNDING RESERVE/PROVIDE FUNDS FOR UNC NEED-BASED GRANTS**

**Summary** Addresses the transition of UNC Need-Based Financial Aid Program grant funding to a forward funding model.

Subsections (a) and (b) state the intent of the General Assembly to move the UNC Need-Based Financial Aid Program grant funding into a reserve in the North Carolina Student Loan Fund designated for that purpose so that funds appropriated for grants in a fiscal year are awarded to students for the following academic year.

Subsection (c) appropriates funds from the North Carolina Student Loan Fund, the Education Lottery Fund, the General Fund, the National Board Certification Loan program, and the John B. McLendon Scholarship Fund to the Reserve. These appropriations and transfers ensure that the funds in The UNC Need-Based Financial Aid Forward Funding Reserve shall be used to fund grants from the UNC Need-Based Financial Aid Program for the 2015-16 program year and each subsequent program year.

Section: 11.3

Title: **COORDINATED RESIDENCY DETERMINATION PROCESS**

Summary Directs UNC, the North Carolina Community College System (NCCCS), and the State Education Assistance Authority (SEAA) to jointly develop and implement a coordinated and centralized process to be used when determining the residency for tuition purposes of students who apply for admission and are admitted to a constituent institution of The University of North Carolina or a community college under the jurisdiction of the State Board of Community Colleges and for private college students receiving State-funded financial aid. UNC, NCCCS, and SEAA shall report on their progress developing and implementing a coordinated and centralized process and any necessary statutory changes to the Joint Legislative Education Oversight Committee by January 1, 2014.

Section: 11.5

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. Subsection (b) prohibits the UNC Board of Governors from allocating a management flexibility reduction to UNC Need-Based Financial Aid, North Carolina Need-Based Scholarship, any special responsibility constituent institution which has been granted a basic type designation of "Special Focus Institution" or "Baccalaureate Colleges - Arts & Sciences" under the Carnegie Classification of Institutions of Higher Education, and any constituent high school of The University of North Carolina.

Section: 11.6

Title: **UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

Summary Amends G.S. 116-11 to require the UNC Board of Governors to report to the Joint Legislative Education Oversight Committee and the Office of State Budget and Management by March 1 of each year regarding the sum of facilities and administrative fees and overhead receipts for The University of North Carolina that are collected and expended by each constituent institution.

Section: 11.7

Title: **STUDENT CHARGES AT THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATH**

Summary Amends G.S. 116-40.22 to allow the UNC Board of Governors to approve fees for distance education services provided by the North Carolina School of Science and Mathematics to nonresidents and for students participating in extracurricular enrichment programs sponsored by the School.

Section: 11.8

Title: **STUDENT CHARGES AT THE UNC SCHOOL OF THE ARTS**

Summary Permits the UNC Board of Governors, in consultation with the Board of Trustees of the University of North Carolina School of the Arts, to set fees to be paid by in-state high school students enrolled at the UNC School of the Arts to assist with expenses of the institution.

Section: 11.9

Title: **AUTHORIZE STATE EDUCATION ASSISTANCE AUTHORITY TO CONTINUE TO COLLECT NORTH CAROLINA TEACHING FELLOWS REPAYMENTS**

Summary Repeals S.L. 2011-266, Sec. 1.38(b), to authorize the State Education Assistance Authority to continue to collect repayments from the North Carolina Teaching Fellows participants.

Section: 11.10

Title: **UNC DISPOSITION AND ACQUISITION OF REAL PROPERTY**

Summary Amends G.S. 116-198.34(5) to permit UNC to lease out property for up to 65 years without seeking permission from the Department of Administration (DOA). Additionally, requires the UNC Board of Governors to report the acquisitions or dispositions to DOA for inclusion in the inventory maintained by DOA pursuant to G.S. 143-341(4). Subsection (b) repeals the requirement that the authority granted under this provision expires on June 30, 2015.

(S.L. 2013-363, Sec. 3.12, Modifications/2013 Appropriations Act, amends this provision to reinstate the sunset provision which causes this provision to expire on June 30, 2015.)

Section: 11.12

Title: **UNC/WAKE FOREST INSTITUTE FOR REGENERATIVE MEDICINE/PROFIT SHARING WITH STATE**

Summary Allocates \$7 million in funds appropriated to the UNC Board of Governors to the Institute for Regenerative Medicine at Wake Forest University.

Subsection (b) stipulates that Wake Forest University shall reimburse the State for State funds appropriated for the Institute under this subsection by returning to the State five percent of the royalty revenue received by the Institute from commercialized projects arising under those research projects supported by the State funds.

Subsections (c), (d), and (e) establish reimbursement payment formulas and reporting requirements to be used by Wake Forest University when remitting payment to the State.

Subsections (f) and (g) limit the amount of State funds that may be used for individual salaries and lobbying efforts.

Section: 11.13

Title: **UNC/STRATEGIC PLAN FUNDS**

Summary Permits the UNC Board of Governors to expend up to \$15 million in FY 2013-14 and FY 2014-15 to implement provisions of The University of North Carolina Strategic Plan as set out in the report "Our Time, Our Future: The University of North Carolina Compact with North Carolina".

Section: 11.15

Title: **STUDENT FINANCIAL AID/SEMESTER LIMIT**

Summary Repeals G.S. 115C-499.2(6) and amends Article 35A of Chapter 115C of the General Statutes to create uniform semester limitations for all scholarship and grant programs administered by the State.

Subsections (b) through (g) of this section provide that a student shall not receive a need-based grant or scholarship from the Education Lottery Scholarships, North Carolina Community College Grant Program, The University of North Carolina Need-Based Financial Aid Program, or the Need-Based Scholarships for Students Attending Private Institutions of Higher Education for more than 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the student is enrolled in a five-year degree program. If a student is enrolled in a five-year degree program, then the student shall not receive a scholarship for more than 12 full-time academic semesters or the equivalent if enrolled part-time.

Additionally, Subsection (h) of this section requires the State Education Assistance Authority to structure its payment schedule to encourage students to complete an average of 30 credit hours per academic year.

Section: 11.16

Title: **STUDY SCHOOL OF SCIENCE AND MATHEMATICS/MORGANTON CAMPUS**

Summary Instructs the UNC Board of Governors of The University of North Carolina, the North Carolina School of Science and Mathematics (School of Science and Math), and the Department of Public Instruction to jointly study the feasibility of establishing a western campus for the School of Science and Math at the School for the Deaf in Morganton. The findings and recommendations are to be reported to the Joint Legislative Education Oversight Committee by February 1, 2014.

Section: 11.17

Title: **STUDY NC GUARANTEED ADMISSION PROGRAM**

Summary Instructs the UNC Board of Governors and the State Board of Community Colleges to jointly study the feasibility of establishing an alternative undergraduate admission program to be known as the North Carolina Guaranteed Admission Program (NC GAP).

NC GAP would be designed as an alternative admission program for students who apply for admission to a constituent institution and satisfy the admission criteria but whose academic credentials are not as competitive as other students admitted to the institution. The findings and recommendations are to be reported to the Joint Legislative Education Oversight Committee by March 1, 2014.

(S.L. 2013-363, Sec. 3.16, Modifications/2013 Appropriations Act, amends this provision to require the Joint Legislative Education Oversight Committee to perform the study in conjunction with the UNC Board of Governors and State Board of Community Colleges.)

Section: 11.18

Title: **UNC ISCHOOL/CAREER AND COLLEGE PROMISE PROGRAM**

Summary Instructs the University of North Carolina at Greensboro (UNC-G) and the Department of Public Instruction to jointly study the feasibility of restarting the UNC-G iSchool by incorporating it as a part of the Career and College Promise Program. UNC-G and DPI are to report their findings and recommendations to the Joint Legislative Education Oversight Committee by March 1, 2014.

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**Health  
&  
Human Services  
Section G**

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# Health and Human Services

GENERAL FUND
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	FY 13-14		FY 14-15	
<b>Recommended Continuation Budget</b>	<b>\$4,615,870,375</b>		<b>\$4,630,560,536</b>	

**Legislative Changes**

**( 1.0) Division of Central Management and Support**

**1 Office of Citizen Services Positions** (\$339,787) R (\$339,787) R

Eliminates the following six positions associated with the elimination of the NC Care Line in S.L. 2011-145:

-6.00 -6.00

- 60037847 Processing Assistant III
- 60037849 Community Service Consultant
- 60037850 Administrative Officer I
- 60037854 Processing Assistant V
- 60037855 Human Service Planner/Evaluator II
- 60090103 Administrative Officer I

**2 Adjustment Based on Historical Transfers/Elimination of Vacant Positions** (\$2,287,280) R (\$2,287,280) R

Reduces funds based on transfers from the Division of Central Management to the Division of Medical Assistance. In FY 2010-11 approximately \$3.7 million was transferred from lapsed salary, contracts, and Division of Information and Resource Management administration accounts. In FY 2011-12 approximately \$2.7 million was transferred from lapsed salary and indirect cost accounts. These funds were transferred to the Division of Medical Assistance to cover Medicaid shortfalls in both years. In order to achieve this reduction, the Secretary may exercise the authority provided to eliminate vacant positions throughout the Department. (S.L. 2013-360, Sec.12A.1)

**3 North Carolina Families Accessing Services Through Technology (NC FAST)**

Provides funds to match federal receipts and continue the development and implementation of NC FAST. (S.L. 2013-360, Sec. 12A.6)

\$864,655 NR

**4 Department of Justice Settlement Agreement**

\$3,834,275 R \$9,394,658 R

Provides funds pursuant to the agreement between the State and the U.S. Department of Justice to develop and implement housing, support, and other services for people with mental illness. The funds will be used to provide services to an additional 150 people in FY 2013-14 and up to 708 people in FY 2014-15. (S.B. 663)

**5 Medicaid Management Information System (MIMS)**

Directs the Department to use prior-year earned revenue to fund this system. (S.L. 2013-360, Sec. 12A.4)

FY 2013-14: \$9,658,152 nonrecurring  
 FY 2014-15: \$1,666,625 nonrecurring

**6 Medication Assistance Program**

Provides funding for the Medication Assistance Program (MAP). MAP assists uninsured, low-income people in obtaining free prescription drugs.

\$1,704,033 R \$1,704,033 R

**7 NC MedAssist Program**

Provides funding to award a grant to the NC MedAssist Program to expand the capacity of its statewide pharmacy program which serves uninsured and low-income persons.

\$400,000 R \$400,000 R

**8 DHHS Competitive Block Grant for Non-Profits**

Provides funds for historically funded non-profits for FY 2013-14. The Department is directed to create a competitive block grant process for the appropriation of these funds beginning in FY 2014-15. In addition to the state funds, Social Services Block Grant funds are appropriated for non-profits for FY 2013-14 and FY 2014-15 in the amount of \$3,852,500 for a total appropriation of \$13,699,034. (H.B. 434/S.B. 340; S.L. 2013-360, Sec. 12A.2)

\$9,529,134 R \$9,529,134 R  
 \$317,400 NR \$317,400 NR

**9 Supplemental Short-Term Assistance for Group Homes**

Provides funds for one year for group home residents who were determined to be ineligible for Medicaid personal care services on or after January 1, 2013. The maximum monthly payment is set at \$464.30 and is based on providing 33 hours of service per eligible recipient. Group homes may only use these funds to provide supervision and medication management to residents who meet the required eligibility criteria. Funds for this purpose are capped at a maximum amount of \$4,600,000 and will end upon the implementation of a tiered State-County Special Assistance Block Grant program or upon depletion of the funds. (S.L. 2013-360, Sec. 12A.2A)

\$4,600,000 NR

**10 Statewide Telepsychiatry Program**

Provides funds to establish a statewide telepsychiatry program to provide consultant services as an alternative to alleviate hospital emergency department wait times, involuntary commitments, and local law enforcement involvement in the transport of patients who have been involuntarily committed, especially in rural and medically underserved areas. The funds are provided to the Office of Rural Health and Community Care to establish and administer the program and to purchase telepsychiatry equipment for the State-owned facilities. (S.B. 562/H.B. 580; S.L. 2013-360, Sec. 12A.2B)

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

**( 2.0) Division of Child Development and Early Education**

**11 Regulatory Positions Shifted from State to Federal Funding** (\$900,000) R (\$900,000) R

Transfers \$604,541 in salaries and \$204,962 in benefits for 14 positions as well as \$90,497 in operating costs to receipt support by utilizing the Child Care Development Fund block grant. The Child Care Regulatory Fund has \$1.5 million remaining in State appropriations. The following positions are affected:

-14.00 -14.00

- 60038736 Child Day Care Specialist
- 60038746  Child Day Care Specialist
- 60038747  Child Day Care Specialist
- 60038610 Child Day Care Specialist
- 60038743  Child Day Care Specialist
- 60038742  Child Day Care Specialist
- 60038735  Child Day Care Specialist
- 60038741  Child Day Care Specialist
- 60038745 Child Day Care Specialist
- 60038734  Child Day Care Specialist
- 60038739  Child Day Care Specialist
- 60038749  Child Day Care Specialist
- 60038730  Child Day Care Specialist
- 60038835  Program Assistant V

(S.L. 2013-360, Sec 12J.1)

**12 Seat Management Funding Elimination** (\$38,125) R (\$38,125) R

Eliminates funding for seat management, the outsourcing of management of workstation capabilities for employees, including hardware and software.

**13 Adjustments Based on Historical Transfers** (\$652,500) R (\$652,500) R

Reduces funds based on transfers from the Division of Child Development and Early Education to the Division of Medical Assistance. In FY 2011-12 approximately \$870,000 was transferred from lapsed salary, contracts, and administrative services to the Division of Medical Assistance to cover the Medicaid shortfall.

**14 Pre-K Slots**

Provides \$12,400,000 in additional funding from lottery receipts to add 2,500 slots for Pre-K. These additional slots bring the total available Pre-K slots to 27,500. (S.L. 2013-360, Sec. 6.11)

**15 TANF Funds for Child Care Subsidy**

Replaces General Fund appropriation for child care subsidy with Temporary Assistance for Needy Families (TANF) block grant carryforward funds on a nonrecurring basis. (S.L. 2013-360, Sec. 12J.1)

(\$5,111,251) NR (\$3,348,849) NR

**16 Replace Child Care Subsidy Funds Needed For Quality Initiatives**

Replaces federal Child Care Development Fund block grant subsidy funds, that by federal requirements are needed for Quality and Availability Initiatives, with General Fund appropriation. This ensures that the funding for child care subsidy in FY 2013-14 is the same in total as was available from all sources in FY 2012-13. (S.L. 2013-360, Sec. 12J.1)

\$1,762,402 NR

**( 4.0) Division of Social Services**

**17 Seat Management Funding Elimination**

Eliminates funding for seat management, the outsourcing of management of workstation capabilities for employees, including hardware and software.

(\$606,695) R (\$606,695) R

**18 Adjustment Based on Historical Transfers**

Reduces funds based on historical transfers from the Division of Social Services (DSS) to the Division of Medical Assistance. In FY 2010-11, \$9.7 million was transferred from contracts, unused adoption and foster care services funding, and other administrative funds. In FY 2011-12, the division transferred approximately \$15.3 million. Of this amount, approximately \$4.5 million was from unspent foster care and adoption services funding, \$600,000 from lapsed salary, \$1 million in contracts, and \$4 million from nonrecurring revenue from prior year earned revenue, indirect costs, and prior year audit and adjustments. The remaining funds came from administration, including seat management. Some of the historical transfers are reduced in the seat management and contract and administrative reduction items. Foster Care and Adoption services funding was reduced in the continuation budget.

(\$1,875,000) R (\$1,875,000) R

**19 Contract and Administrative Savings**

Eliminates funds for the Child Welfare Multiple Response System (MRS) Conference that trained county staff on MRS. The conference is no longer needed as MRS has been implemented statewide. Also eliminates funds for the forms and supply warehouse that is no longer needed as the warehouse has closed. The remaining reduction is from administration and internet billing costs.

(\$1,066,123) R (\$1,066,123) R

**20 Federal Funds for County Child Welfare Services Replacement**

Provides funds to partially replace federal funding for child welfare administration due to a change in the application of federal policy. The State supports county DSS agencies at an overall rate of 31% of the non-federal share of their county budgets for public assistance and service programs. This appropriation replaces 33% of the lost federal funding on a nonrecurring basis to support the counties while the North Carolina Families Accessing Services through Technology (NCFAST) information system is being developed and implemented. Once fully implemented, NCFAST is projected to reduce administrative costs for counties.

\$4,826,346 NR \$4,826,346 NR

**FY 13-14**

**FY 14-15**

**21 NC Reach - Child Welfare Postsecondary Education**

\$200,000 R \$400,000 R

Provides funds to support 10 percent growth each year of the biennium for NC Reach, which provides funds for former foster care youth who have aged out of foster care and children adopted after age 12 who attend college within the UNC and Community College systems. There is currently no waiting list for this service. The expenditure growth rate from FY 2010-11 to FY 2011-12 was 10 percent. No additional funding was available for FY 2012-13. NC Reach funding is the payer of last resort and covers items such as books, supplies, transportation, and room and board not covered by other funding sources. (S.L. 2013-360, Sec. 12C.5)

**22 Adoption Promotion Fund**

\$1,500,000 R \$1,500,000 R

Provides funds to support adoptions through reimbursements to private nonprofit organizations to support adoption programs and provide financial incentive to county departments of social services to complete adoptions above an established baseline. (H.B. 971; S.L. 2013-360, Sec.12C.10)

**23 Permanency Innovation Initiative Fund**

\$1,000,000 R \$2,750,000 R

Provides funds to support the Permanency Innovation Initiative Fund that will improve permanency outcomes for children living in foster care, improve engagement with biological relatives of children in or at risk of entering foster care, and reduce costs associated with maintaining children in foster care. (H.B. 971; S.L. 2013-360, Sec. 12C.10)

**( 6.0) Division of Vocational Rehabilitation**

**24 Reduce Independent Living Program Administration**

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

Reduces the administrative budget for the Independent Living Program.

**25 Replace Vocational Rehabilitation Administrative Funding**

(\$102,236) R (\$102,236) R

Replaces General Fund appropriations budgeted for administrative expenses in the Vocational Rehabilitation Basic Support program with program receipts.

**26 Replace State Funding in the Assistive Technology Program**

(\$98,738) R (\$98,738) R

Replaces the General Fund appropriation in the Assistive Technology Program with program receipts.

**27 Historical Transfers to Medicaid**

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

Reduces funding based on transfers from the Division of Vocational Rehabilitation to the Division of Medical Assistance. In FY 2011-12 approximately \$845,000 was transferred from indirect cost funds to the Division of Medical Assistance to cover the Medicaid shortfall.

**( 7.0) Division of Aging and Adult Services**

**28 Seat Management Funding Elimination**

(\$855) R (\$855) R

Eliminates funding for seat management within the Division. The Department discontinued outsourcing management of its workstation capabilities including hardware and software.

**29 Adjustment Based on Historical Transfers**

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

Reduces funding based on transfers from the Division of Aging and Adult Services to the Division of Medical Assistance. In FY 2011-12, approximately \$470,000 was transferred from lapsed salary and administration accounts to the Division of Medical Assistance to cover the Medicaid shortfall.

**30 Long-Term Care Ombudsman**

\$200,000 R

Replaces lost federal receipts and maintains the current level of service. In the FY 2011-13 budget, General Fund support for the Long-Term Care Ombudsman was replaced with federal civil monetary penalty receipts. Since then, the Centers for Medicare and Medicaid Services has restricted the use of civil monetary penalty receipts for this purpose.

**( 8.0) Division of Public Health**

**31 Early Intervention - Children's Developmental Services Agencies (CDSA)**

(\$10,000,000) R

Reduces FY 2013-14 funding to the Division of Public Health based on historical transfers to the Division of Medical Assistance. In FY 2010-11, approximately \$17.1 million was transferred from lapsed salary, administration, and contract accounts to address the Medicaid shortfall. In FY 2011-12, approximately \$17.4 million was transferred. Of the amounts transferred, over half was lapsed salary and other unspent funds budgeted to the Early Intervention Branch.

(\$8,000,000) NR -160.00

Eliminates 160 CDSA positions, effective July 1, 2014. In implementing the position eliminations, the Division is authorized to close up to 4 of the 16 CDSAs. However, the Division shall retain the Morganton CDSA and make it a priority to maintain the CDSAs that have the highest caseloads of children who reside in rural or medically underserved areas of the State. (S.L. 2013-360, Sec. 12E.4)

**32 AIDS Drug Assistance Program (ADAP) Drug Purchases**

(\$8,000,000) R (\$8,000,000) R

Reduces ADAP funding to more accurately reflect current spending levels. ADAP provides pharmaceuticals to financially-eligible persons with AIDS. There are currently two ADAP funding sources: federal Ryan White CARE Act and State appropriations. Due to increased FY 2013-14 federal ADAP receipts, the amount of funds remaining for ADAP pharmaceutical purchases after the \$8 million reduction is anticipated to be \$5 million more than the FY 2012-13 budget.



	FY 13-14		FY 14-15	
<b>33 Oral Health Section</b>	(\$637,500)	R	(\$850,000)	R
Eliminates 15 positions in the Oral Health Section, effective October 1, 2013. (S.L. 2013-360, Sec. 12E.2)	-15.00		-15.00	
<b>34 Autopsy Fee Receipts</b>	(\$220,000)	R	(\$220,000)	R
Reduces the General Fund appropriation and budgets increased autopsy fee receipts. Effective August 1, 2013, the autopsy fee increases from \$1,000 to \$1,250. (S.L. 2013-360, Sec. 12E.8)				
<b>35 State Public Health Laboratory</b>	\$1,052,000	R	\$1,052,000	R
Provides funding for the State Public Health Laboratory to offset receipts lost due to FY 2010-11 Medicaid provider rate reductions.				
<b>36 NC Tobacco Use Quitline</b>	\$1,200,000	R	\$1,200,000	R
Provides funds to continue the operation of the North Carolina Tobacco Use Quitline (NC Quitline). NC Quitline provides free tobacco cessation services and treatment for NC residents.				
<b>37 High Risk Maternity Clinic</b>				
Provides funds for the East Carolina University High Risk Maternity Clinic.	\$375,000	NR	\$375,000	NR
<b>38 Maternity Homes</b>				
Provides funds for maternity homes. (S.L. 2013-360, Sec. 12A.2)	\$925,085	NR	\$925,085	NR
<b>39 Nurse-Family Partnership</b>				
Provides funds to the Nurse-Family Partnership for intensive home visiting services.	\$675,000	NR	\$675,000	NR
<b>( 9.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</b>				
<b>40 LME/MCO Administration</b>	(\$15,228,245)	R	(\$15,228,245)	R
Reduces funds provided for Local Management Entities (LME)/Managed Care Organizations (MCO) administration funding formula. The LME/MCO transition phase will be fully implemented by July 1, 2013 resulting in savings to the General Fund.				
<b>41 Gambling Fund Balance</b>				
Budgets accumulated lottery budget receipts transferred to the Division for gambling addiction education and treatment programs. This reduction is not anticipated to affect the level of services provided.	(\$416,264)	NR		

**42 Alcohol and Drug Abuse Treatment Centers (ADATC)**

(\$4,918,357)

R

(\$4,918,357)

R

Reduces the budget for each ADATC by 12 percent:

R.J. Blackley ADATC (1,667,037)  
 Walter B. Jones ADATC (1,493,983)  
 Julian F. Keith ADATC (1,757,337)

(S.L. 2013-360, Sec. 12F.7)

(S.L. 2013-363, Sec. 4.16, Modifications/2013 Appropriations Act, amends this item to remove the requirement that each ADATC budget be reduced by 12 percent. DHHS is given flexibility to achieve the reduction by decreasing the variability of per bed costs across the three centers. In addition, the Department is prohibited from closing any of the centers.)

**43 NC High School Athletic Association (NCHSAA)**

(\$332,491)

R

(\$332,491)

R

Transfers the special appropriation to the Division of Central Management and Support to disburse the funds to NCHSAA in FY 2013-14. Beginning in FY 2014-15, the funds shall be budgeted for the performance-based, competitive block grant process, for which NCHSAA would be eligible to apply. (S.L. 2013-360, Sec. 12A.2)

**44 Broughton Hospital Beds**

Realigns the Division's base budget to transfer \$3,513,000 in recurring funds from Fund Code 1910 - Reserves and Transfers to Fund Code - 1561 Broughton Hospital to open 19 additional adult psychiatric care beds. These funds were originally appropriated by S.L. 2012-142 for this purpose but were contingent upon the status of the Medicaid budget. Due to the contingency, FY 2012-13 funds were placed in the reserve account and then transferred to Budget Code 14445 to address the Medicaid budget shortfall. In the Division's FY 2013-15 continuation budget, the funds remain in Fund Code 1910.

**45 Three-Way Contracts**

Realigns the Division's base budget to transfer \$9 million in recurring funds from Fund Code 1910 - Reserves and Transfers to Fund Code 1464 - Crisis Services to increase the number of three-way contract community hospital beds available to Local Management Entities/Managed Care Organizations. These funds were originally appropriated by S.L. 2012-142 for this purpose but were contingent upon the status of the Medicaid budget. Due to the contingency, FY 2012-13 funds were placed in the reserve account and then transferred to Budget Code 14445 to address the Medicaid budget shortfall. In the Division's FY 2013-15 continuation budget, the funds remain in Fund Code 1910.

In addition to increasing the number of beds which may be purchased, the Department shall develop and implement a two-tiered payment system for the three-way contracts. The two-tiered system shall provide an enhanced payment for inpatients assessed at higher acuity levels. The enhanced payment rate shall not exceed the lowest average cost per patient bed day among the three State psychiatric hospitals. (S.L. 2013-360, Sec. 12F.2)

**46 New Broughton Hospital**

Provides funds to purchase medical equipment, furniture, and information technology infrastructure for the new, expanded Broughton Hospital scheduled to open in December 2014.

\$11,510,467	NR	\$16,598,589	NR
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**47 NC Child Treatment Program**

Provides funds for the statewide implementation of the NC Child Treatment Program. Funds will be used to provide clinical training to Medicaid-certified physicians, to provide child trauma treatment services, and to develop an online database system. (S.B. 605; S.L. 2013-360, Sec. 12F.3)

\$1,818,745	R	\$1,818,745	R
\$250,000	NR	\$250,000	NR

**48 Controlled Substances Reporting System**

Provides funds to redesign the Controlled Substances Reporting System (CSRS) to shorten the amount of time in which dispensers report information to the CSRS, as provided in G.S. 90-113.73(a). (S.B. 222/H.B. 173; S.L. 2013-152)

\$54,000	NR
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**(10.0) Division of Health Service Regulation**

**49 Adjustment Based on Historical Transfers**

Establishes a recurring reduction in the Division of Health Service Regulation at the level of historical transfers made to cover Medicaid shortfalls. Approximately \$600,000 was transferred to the Division of Medical Assistance in FY 2010-11; approximately \$800,000 was transferred to the Division of Medical Assistance in FY 2011-12.

(\$300,000)	R	(\$300,000)	R
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**FY 13-14**

**FY 14-15**

**50 Certificate of Need Exemption for Main Campus Replacements**

(\$150,513) R (\$150,513) R

Reduces receipts from Certificate of Need (CON) fees based on the exemption of hospitals from CON when replacing or improving capital assets on the main campus. (S.L. 2013-360, Sec. 12G.3 (a) and (b))

**51 Increase in Staffing Positions for Health and Safety Inspections**

\$84,578 R \$100,000 R

Provides additional operating funds for ten additional positions in the Acute and Home Care Licensure Section to investigate complaints, conduct surveys for uncredentialed hospitals, and monitor abortion clinics on an annual basis. Total costs in FY 2013-14 are \$84,776, with \$761,198 in receipts resulting in an increased appropriation of \$84,578. In FY 2014-15 total costs are \$1,000,000: receipts \$900,000 and appropriations \$100,000. (S.B. 353; S.L. 2013-366, Sec. 4.(c))

10.00 10.00

**(11.0) Division of Medical Assistance**

**52 Health Homes for the Chronically Ill**

Reflects the last quarter of increased federal match under the Health Homes for the Chronically Ill program for qualified care management per member per month expenditures. Includes an enhanced federal match for all Medicaid care management payments for recipients with comorbid conditions including a chronic health condition and severe and persistent mental health conditions paid through September 30, 2013.

(\$3,757,682) NR

**53 Report Separately Payments to CCNC and CCNC Providers**

\$59,340,923 R \$62,046,013 R

Establishes a separate budget item for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are:

FY 2013-14	Total Requirements	Net General Fund Appropriation
Care Management	\$125,800,000	\$44,040,923
Provider Payments	\$ 43,800,000	\$15,300,000
FY 2014-15		
Care Management	\$131,600,000	\$46,046,013
Provider Payments	\$ 45,700,000	\$16,000,000

**54 Physician Expenditures Adjustment to Appropriately Report CCNC Payments**

(\$59,340,923) R (\$62,046,013) R

Establishes a separate budget item for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are:

FY 2013-14	Total Requirements	Net General Fund Appropriation
Care Management	(\$125,800,000)	(\$44,040,923)
Provider Payments	(\$ 43,800,000)	(\$15,300,000)
FY 2014-15		
Care Management	(\$131,600,000)	(\$46,046,013)
Provider Payments	(\$ 45,700,000)	(\$16,000,000)

**55 Hospital Provider Assessment**

(\$52,000,000) R (\$52,000,000) R

Modifies the hospital provider assessment plan, effective July 1, 2013, so the State's retention will be 25.9% of the total assessment paid by hospitals instead of a stated amount of \$43,000,000. (S.B. 553; S.L. 2013-360, Sec. 12H.19.)

(S.L. 2013-397, Sec. 10, LME/MCO Enrollees Grievances and Appeals, amends this item to stipulate that \$43 million of the State's annual Medicaid payment must be allocated based on total supplemental payments under the hospital assessment plan under G.S. 108A-124, including both equity and upper payment limit (UPL) payments. The portion above \$43 million will be allocated to each hospital based only on the supplemental UPL payments under the assessment plan.)

**56 Hospital Base Rates**

Recalibrates the hospital inpatient payment system so that the base rates will be regionally set for all hospitals in that region to eliminate the disparity in rates for the same services between hospitals that exist in the current system. Hospital inpatient services are paid based on a diagnosis related group (DRG) system. There are 746 DRG's in the Medicaid program that represent classifications of services provided during an inpatient hospitalization. Each of the 746 DRG's has a weight that represents the relative resources required for services related to that diagnosis, recipient age, sex, and the presence of complications or comorbidities. Hospital payment is determined by applying a base rate, unique to each hospital, to the DRG weight. The hospital base rates were developed using each hospital's costs in 1994. Changes to these base rates have only occurred when the General Assembly has approved an increase or decrease in rates. The Department will work with hospitals to identify appropriate regional differences and define regional definitions. (S.L. 2013-360, Sec. 12H.20 (b))

**57 Medicaid Copays**

(\$3,308,100) R (\$4,962,150) R

Increases nominal copays for eligible Medicaid services to the maximum allowed by the Centers for Medicare and Medicaid Services (CMS) effective November 1, 2013. Services that are excluded from copays by CMS are medical emergency services, family planning services, "preventative" services for children, and pregnancy-related services. All nominal copays will be capped at the maximum allowed by CMS at June 30, 2013. (S.L. 2013-360, Sec. 12H.13 (c))

**58 Medicaid Contract Reductions**

\$0 R (\$2,016,771) R

Adjusts contract expenditures in the second year of the biennium to reflect a reduced cost of operation and adjudication of claims related to the new Medicaid Management Information System that will be implemented July 1, 2013.

**59 Hospital Outpatient Payments at 70% of Costs**

(\$23,122,268) R (\$48,002,826) R

Reduces interim outpatient payments to hospitals to reflect the impact of reducing the settlement to 70 percent of costs effective January 1, 2014. Hospitals are currently paid for outpatient services at 80 percent of costs. (S.L. 2013-360, Sec. 12H.13 (e))

**60 Cost Savings Through Drug Adjustments**

(\$14,616,627) R (\$30,185,714) R

Requires the Department to implement payment reforms to achieve savings, with changes to be effective January 1, 2014. Currently, brand drugs are paid at Wholesale Acquisition Cost (WAC) plus six percent and Generic drugs are paid at 195 percent of the State Medicaid Average Costs (SMAC). WAC mark up for non-specialty brand drugs will be adjusted to 2.7 percent, specialty brand drugs to WAC plus one percent and SMAC mark up to 150 percent. Dispensing fees for brand drugs will be reduced by \$1. Selected generic dispensing fees will be reduced by \$1 and \$2 accordingly. (S.L. 2013-360, Sec.12H.13)

(S.L. 2013-363, Sec. 4.13, Modifications/2013 Appropriations Act, amends language on brand pricing from WAC plus 1 percent and reduces generic dispensing fees)

**61 Shared Savings Plan**

(\$26,924,941) R (\$44,710,352) R

Establishes a three percent withhold on selective services effective January 1, 2014. Services subject to the withhold include inpatient hospital, physician (excluding primary care physicians until January 1, 2015), dental, optical services and supplies, podiatry, chiropractors, hearing aids, personal care services, nursing homes, adult care homes, and drug dispensing fees. The Department will work with providers to develop a shared savings plan that will be implemented by January 1, 2015 that will include incentives to provide effective and efficient care that results in positive outcomes for Medicaid recipients. In FY 2013-14 the State share of the amount withheld will be \$14.7 million. This represents a total impact of \$41.9 million in provider payments, including both the State and federal shares. In FY 2014-15, the State share of the withhold will be \$30.6 million, providers will be eligible for shared savings that are projected to total \$8.9 million, and the impact of the shared savings plan on expenditures is projected to be \$15.1 million. (S.L. 2013-360, Sec. 12H.18)

**62 Rehabilitation Services Limitation**

(\$2,748,350) R (\$5,651,495) R

Limits adult rehabilitative services for set up and training to three visits per year, effective January 1, 2014. (S.L. 2013-360, Sec. 12H.13 (d))

**63 Physician Office Visits Limitation**

(\$3,676,525) R (\$7,560,122) R

Reduces the limit on office visits for adults from 22 visits a year to ten visits a year effective January 1, 2014. Prior authorization will be required for medically necessary visits in excess of ten per year. Recipients with chronic conditions will be exempted from this limitation. (S.L. 2013-360, Sec. 12H.13 (d))

**64 Medicaid Rate Methodologies Modification for Acquired Providers**

Modifies Medicaid rate methodologies to ensure that rates paid to hospital or physician providers that were acquired, merged, leased, or managed after December 31, 2011 will not exceed rates that would have been paid if the provider had not been acquired, merged, leased, or managed. (S.L. 2013-360, Sec. 12H.20 (a))

**65 Rate Freeze for Services Subject to Automatic Increases**

(\$17,165,653) R (\$26,567,409) R

Freezes rates for hospital outpatient services and other rates that contain an inflation or increase factor not specifically approved by the General Assembly at the rate in effect June 30, 2013. Interim hospital outpatient services percentage of cost will be adjusted to compensate for expected inflation for which hospitals would be eligible. The cost settlement will be limited to that percentage. Nursing direct care services will continue to receive case mix index increases after June 30, 2013. Federally Qualified Health Centers, Rural Health Centers, State Operated services, Hospice, Medicare Part B and D Premiums, third party and HMO premiums, drugs, Critical Access Hospitals, and MCO capitation payments are excluded. (S.L. 2013-360, Sec. 12H.13 (b))



**66 Medicaid Rebase**

\$434,000,000 R \$557,000,000 R

Provides Medicaid funding for the continuation of the program at the current level, adjusted for changes in enrollment, mix of enrollment, consumption, new service, and new policy. Additionally, the rebase includes the impact of changes in federal match (FMAP), annualization of reductions not fully implemented during FY 2012-13 and the extension of Medicaid to the former foster care children until age 26 beginning January 1, 2014. (S.B. 335, H.B. 336; S.L. 2013-184)

**67 Provider Cost Settlements**

\$18,000,000 R \$18,000,000 R

Increases funding for Medicaid cost settlements to provide for the growth in Medicaid recipients and the cost of serving Medicaid recipients for those providers whose payments are cost settled after the providers' fiscal year. Providers that are cost settled include hospitals, skilled nursing facilities, and Intermediate Care for the Mentally Retarded facilities (ICF-MRs).

**68 Contracts**

\$11,000,000 R \$11,000,000 R

Provides funding for Medicaid contracts that ensure the appropriate level of medical service is provided, including contracts that provide prior authorization, utilization reviews, and assessments of individuals receiving medical care. This increase is due to estimated increases in the Medicaid population being served. Funding is also provided for the asset verification contract which will ensure Medicaid recipients are within the asset limit for eligibility determination purposes.

**69 "Woodwork" and Affordable Care Act**

\$49,684,791 R \$114,119,120 R

Provides funding for expenditures for new Medicaid recipients. Even though North Carolina has decided not to expand Medicaid eligibility under the Affordable Care Act (ACA) effective January 1, 2014, 69,683 new enrollees are expected to join Medicaid in FY 2013-14 and 72,426 are expected to join in FY 2014-15 as a result of provisions contained in the ACA related to penalties for non-coverage and outreach efforts. (H.B.16/S.B. 4; S.L. 2013-5)

**70 Transfer of Health Choice Children**

\$22,080,000 R \$46,080,000 R

Transfers all children under 133 percent of the Federal Poverty Level beginning January 1, 2014 in accordance with the Affordable Care Act which requires they be covered under Medicaid instead of Health Choice. Provides funding for the increase in costs that will be incurred as a result of these recipients being eligible for broader benefits under Medicaid than they had when covered under Health Choice. In FY 2013-14 there will be about 51,000 recipients impacted. The State will retain the State Children's Health Insurance Program federal match instead of the traditional Medicaid federal match. There is a partial offset in Health Choice for this amount.



**71 MMIS Implementation Costs**

Provides funding to implement manual processes to ensure the appropriate payment of claims by hiring temporary staff or through external contracts. The new Medicaid Management Information System (MMIS) for the adjudication of claims is scheduled to be implemented July 1, 2013. The new system will not contain all of the functionality of the current MMIS.

\$4,828,664 NR

**72 Community Care of North Carolina Study**

Provides funding for a study to determine whether the Community Care of North Carolina model saves money and improves health outcomes. This was recommended by the State Auditor in the January 2013 performance audit of the Medicaid Program. Total funding available for the study is \$200,000 as the State funds may be used to match federal Medicaid administrative funds. (S.L. 2013-360, Sec. 12H.21)

\$100,000 NR

**(12.0) NC Health Choice**

**73 Transfer of Health Choice Children**

Reduces funds by transferring children to Medicaid. Beginning January 1, 2014 the Affordable Care Act requires all children under 133 percent of the Federal Poverty Level be covered under Medicaid instead of Health Choice. In FY 2013-14 there will be about 51,000 recipients impacted, and the State will retain the State Children's Health Insurance Plan federal match instead of the traditional Medicaid federal match.

(\$12,348,000) R (\$25,480,000) R

**74 Contract Budget Adjustment**

Reduces Health Choice contract expenditures to actual amounts.

(\$2,800,000) R (\$2,800,000) R

**75 Rate Freezes for Services Subject to Automatic Increases**

Freezes rates for hospital outpatient services and other rates that contain an inflation or increase factor not specifically approved by the General Assembly at the rate in effect June 30, 2013. Hospital outpatient services percentage of cost will be adjusted to compensate for expected inflation for which hospitals would be eligible. Cost settlement will be limited to that percentage. Federally Qualified Health Centers, Rural Health Centers, State Operated services, Hospice, Medicare Part B and D Premiums, third party and HMO premiums, drugs, Critical Access Hospitals, and MCO capitation payments are excluded. (S.L. 2013-360, Sec. 12H.13 (b))

(\$1,265,912) R (\$1,405,614) R

**76 Shared Savings Plan**

(\$881,640) R (\$1,787,957) R

Establishes a three percent withhold on selective services effective January 1, 2014. Services subject to the withhold include inpatient hospital, physician services (excluding primary care until January 1, 2015), dental, optical services and supplies, podiatry, chiropractors, hearing aids, personal care services, nursing homes, adult care homes and drugs. The Department will collaborate with providers to develop and implement a shared savings plan that will be implemented by January 1, 2015 to provide incentives for effective and efficient care that results in positive outcomes for Medicaid recipients. (S.L. 2013-360, Sec. 12H.18)

**77 Cost Savings Through Drug Adjustments**

(\$697,597) R (\$1,334,600) R

Requires the Department to implement payment reforms to achieve savings, with changes to be effective January 1, 2014. Currently, brand drugs are paid at Wholesale Acquisition Cost (WAC) plus 6 percent and Generic drugs are paid at 195 percent of the State Medicaid Average Costs (SMAC). WAC mark up for non-specialty brand drugs will be adjusted to 2.7 percent, specialty brand drugs to WAC plus 1 percent and SMAC mark up to 150 percent. Dispensing fees for brand drugs will be reduced by \$1. Selected generic dispensing fees will be reduced by \$1 and \$2 accordingly. (S.L. 2013-360, Sec.12H.13)

(S.L. 2013-363, Sec. 4.13, Modifications/2013 Appropriations Act, amends language on brand pricing from WAC plus 1 percent and reduces generic dispensing fees)

**78 Physician Expenditures Adjusted to Appropriately Report CCNC Payments**

\$2,557,144 R \$2,699,001 R

Establishes a separate budget for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are:

	Total Requirements	Net General Fund Appropriation
FY 2013-14		
CCNC Care Management	\$5,800,000	\$1,457,144
Provider Payments	\$4,500,000	\$1,100,000
FY 2014-15		
CCNC Care Management	\$6,100,000	\$1,499,001
Provider Payments	\$4,700,000	\$1,200,000

**79 Physician Expenditures Adjustment to Appropriately Report CCNC Payments**

(\$2,557,144) R (\$2,699,001) R

Establishes a separate budget for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are:

	Total Requirements	Net General Fund Appropriation
FY 2013-14		
CCNC Care Management	(\$5,800,000)	(\$1,457,144)
Provider Payments	(\$4,500,000)	(\$1,100,000)
FY 2014-15		
CCNC Care Management	(\$6,100,000)	(\$1,499,001)
Provider Payments	(\$4,700,000)	(\$1,200,000)

**80 Health Choice Rebase**

\$6,176,522 R \$11,178,930 R

Provides Health Choice funding to continue the program at the current level, adjusted for changes in enrollment, mix of enrollment, consumption, new services, and new policy. Additionally, the rebase includes the impact of changes in federal match (FMAP) and annualization of reductions not fully implemented during FY 2012-13.

**81 Cost Settle Hospital Outpatient Services to 70% of Cost**

(\$365,239) R (\$753,852) R

Reduces interim outpatient payments to hospitals to reflect the impact of reducing the settlement to 70 percent of costs effective January 1, 2014. Hospitals are currently paid for outpatient services at 80 percent of costs. (S.L. 2013-360, Sec. 12H.13 (e))

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**Total Legislative Changes**

**\$364,978,781** R **\$485,630,813** R

**\$12,939,167** NR **\$21,483,226** NR

**Total Position Changes**

-25.00 -185.00

**Revised Budget**

**\$4,993,788,323** **\$5,137,674,575**

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# Special Provisions

## 2013 Session: SB 553

**Department:** Health and Human Services

Section: 10

**Title:** **MODIFY ALLOCATION OF STATE'S SHARE IN HOSPITAL PROVIDER ASSESSMENT TAX**

**Summary:** Amends G.S. 108A-123(d) to change the calculation of the increase in the State's retention from hospital assessments so as to more equitably allocate the increased portion. The first \$43 million of the State's retention shall be allocated between the equity assessment and the upper payment limit (UPL) assessment. The State's retention of the assessment above \$43 million shall be allocated to the UPL assessments.

## 2013 Session: SB 402

**Department:** Health and Human Services

Section: 12A.1

**Title:** **DEPARTMENT FLEXIBILITY TO ACHIEVE DEPARTMENTAL PRIORITIES AND ENHANCE FISCAL OVERSIGHT AND ACCOUNTABILITY**

**Summary:** Allows the Department of Health and Human Services (DHHS) flexibility to: (i) reorganize positions and related operational costs upon demonstrating cost-effectiveness and (ii) realign existing resources, including the identification of up to 32 existing positions, to expand its internal audit capacity. Any realignments must be reflected in the authorized budget. DHHS shall report no later than June 30, 2014 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on any of these actions.

Section: 12A.2

**Title:** **FUNDING FOR NONPROFIT ORGANIZATIONS/ESTABLISH COMPETITIVE GRANTS PROCESS**

**Summary:** Subsections (a) and (b) direct appropriations to designated nonprofit organizations for FY 2013-14. Subsection (c) requires each nonprofit organization to submit a report to the Division of Central Management and Support. Subsection (d) states the General Assembly's intent to establish a competitive grants process of nonprofit funding for FY 2014-15. Subsections (e) through (g) direct the Secretary to develop a plan to implement the competitive grants process and to submit the plan to the Joint Legislative Oversight Committee on Health and Human Services by February 1, 2014, to implement the plan by March 1, 2014 and to announce grant recipients and allocate funds by July 1, 2014. (H.B. 434/S.B. 340)

Section: 12A.2A

Title: **SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES**

Summary: Directs the Division of Central Management and Support to use \$4.6 million in nonrecurring funds to provide temporary, short-term payments not to exceed \$464.30 per group home resident per month until June 30, 2014, or upon depletion of the \$4.6 million nonrecurring appropriation, whichever is earlier. Subsection (b) limits payments to residents diagnosed with mental illness or developmental disabilities, who became ineligible for Medicaid Personal Care Services (PCS) as a result of recent changes to the PCS Program that took effect on January 1, 2013. Payments may not be provided for residents appealing an adverse determination made by the Department under G.S.108A-70.9A. Group homes shall use these payments to provide supervision or medication management. Additionally, the section requires the Department of Health and Human Services to submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by April 1, 2014, a plan for a long-term solution for group home residents who would like to continue residing in this setting, and a list of funding sources for each group home that receives this assistance.

Section: 12A.2B

Title: **ESTABLISH STATEWIDE TELEPSYCHIATRY PROGRAM**

Summary: Directs the DHHS to submit to the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services (LOC), and the Fiscal Research Division (FRD) by August 15, 2013, a plan to implement a statewide telepsychiatry program to be administered by East Carolina University Center for Telepsychiatry and e-Behavioral Health (ECU).

Article 3 of Chapter 143B is amended to create a new section that charges the Office of Rural Health and Community Care (ORHCC) with specific oversight, monitoring, and reporting responsibilities relative to implementation and operation of the program. ECU is required to work towards statewide implementation of the program and to report annually on or before November 1 to LOC and FRD on specific performance measures. Two million dollars is appropriated to ORHCC in FY 2013-14 and FY 2014-15 to be used for the contract with ECU and for the purchase of needed telepsychiatry equipment for the State facilities. (S.B. 562/H.B. 580)

Section: 12A.3

Title: **HEALTH INFORMATION TECHNOLOGY (HIT)**

Summary: Directs the DHHS, in cooperation with the State Chief Information Officer, to coordinate State HIT policies and programs in a manner consistent with State and federal HIT goals and to establish and direct an efficient and transparent HIT management structure that is compatible with the Office of National Health Coordinator for Information Technology. Section 12A.3 amends S.L. 2011-145, Sec. 10.24 (c) to eliminate quarterly reports due from DHHS on the status of federal and State HIT efforts, and, instead, directs DHHS to provide a one-time comprehensive report on the status of these efforts to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by January 15, 2015.

Section: 12A.4

Title: **FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS**

Summary: Authorizes use of prior year earned revenue for the replacement Medicaid Management Information System (MMIS) project. DHHS is authorized, if these funds are insufficient, to utilize over realized receipts and appropriations to achieve the level of funding specified for the replacement MMIS, with prior approval from the Office of State Budget and Management.

Subsection (g) requires specific reports to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division, including (i) a September 1, 2013 progress report on full implementation of the replacement MMIS, (ii) a November 1, 2013 progress report on costs associated with full implementation of the replacement MMIS, (iii) a December 1, 2013 plan for elimination of the Office of Medicaid Management Information System Services and transfer of its remaining operations to other Divisions in DHHS, and (iv) a January 15, 2014 preliminary report on the plan for achieving system certification.

The section also mandates completion of the Reporting and Analytics Project solution simultaneously with the implementation of the replacement MMIS. The approval of overtime or compensatory time related to the replacement MMIS after August 1, 2013 is prohibited without prior written approval from the Office of State Personnel.

Subsection (j) requires DHHS to plan and implement system modifications necessary to require all contractors to perform Medicaid claim adjudication in the replacement MMIS by the earlier of July 1, 2014 or prior to renewing any contract with an entity required to perform Medicaid claim adjudication.

(S.L. 2013-363, Sec. 4.1, Modifications/2013 Appropriations Act, amends the effective date for requirements for Medicaid claims adjudication to January 1, 2015 or prior to renewing any contract with an entity required to perform Medicaid claim adjudication.)

Section: 12A.5

Title: **FRAUD DETECTION THROUGH NORTH CAROLINA ACCOUNTABILITY AND COMPLIANCE TECHNOLOGY SYSTEM**

Summary: Directs DHHS to link the following three programs to the North Carolina Financial Accountability and Compliance Technology System: (1) Medicaid Management Information System, (2) North Carolina Child Treatment Program State-funded secure database, and (3) North Carolina Families Accessing Services through Technology. DHHS is required to submit a plan on integration to the Joint Legislative Oversight Committee on Information Technology and the Joint Legislative Oversight Committee on Health and Human Services by April 1, 2014.

Section: 12A.6

Title: **FUNDING FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST); REPORT ON ELIGIBILITY DETERMINATIONS FOR THE EXCHANGE**

Summary: Directs DHHS to use the NC FAST fund balance and appropriations of \$865,000 in FY 2014-15 to match federal funds (90/10 match rate). DHHS is required to submit a report by three months after open enrollment begins for federal Health Benefit Exchange to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Information Technology on NC FAST's connection to the federally facilitated Health Benefit Exchange for Medicaid eligibility determinations.

Section: 12A.7

Title: **LIABILITY INSURANCE**

Summary: Amends Article 31 of Chapter 58 to add a new section that allows DHHS and the Department of Public Safety to provide up to \$1 million per incident in medical liability insurance coverage, on behalf of (i) departmental staff licensed to practice medicine or dentistry, (ii) licensed physicians who are faculty members of the University of North Carolina (UNC) working under contract with the Division of MH/DD/SAS, and (iii) physicians in UNC residency training programs at DHHS institutions. Provision of coverage that requires any additional appropriations is prohibited.

Section: 12A.8

Title: **ELIMINATION OF UNNECESSARY AND REDUNDANT REPORTS**

Summary: Repeals G.S. 122C-142.1(j), G.S. 143B-152.15(b), G.S. 122C-102(c), G.S. 130A-150(e), G.S. 108A-70.27(b), and G.S. 143B-150.20(h) to eliminate six reports due from the Department of Health and Human Services deemed unnecessary and redundant.

Section: 12A.9

Title: **CANCER COORDINATION REPORTING**

Summary: Amends G.S. 130A-33.51(b) to direct the Cancer Coordination Committee to submit its annual written report to the Secretary of DHHS instead of to the Governor and to the Joint Legislative Commission on Governmental Operations.

Section: 12A.10

Title: **MEETINGS OF CANCER COORDINATION COMMITTEE**

Summary: Amends G.S. 130A-33.50(b) to limit Cancer Coordination Committee meetings to not more than twice a year.

Section: 12A.11

Title: **ANNUAL REPORT OF LAPSED SALARY FUNDS**

Summary: Amends S.L. 2012-145, Sec. 10.20 to require DHHS to report annually on the use of lapsed salaries within each DHHS division. The report shall be submitted to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

Section: 12A.12

Title: **PRISON REPORT**

Summary: Amends G.S. 148-19(d) to eliminate annual report due from the DHHS Secretary on the progress which the Department of Public Safety has made on implementing standards for the delivery of mental health and mental retardation services to inmates in the custody of the Division of Adult Correction.

Section: 12A.13

Title: **MODIFICATIONS TO JUSTUS-WARREN TASK FORCE**

Summary: Amends G.S. 143B-216.60 to limit meetings of the Justus-Warren Task Force to not more than twice annually and to eliminate the task force's authority to establish committees for special studies.

Section: 12A.14

Title: **MODIFICATIONS TO COMMISSION FOR THE BLIND**

Summary: Repeals G.S. 143B, Article 3, Part 8 to eliminate the Professional Advisory Committee to the Commission for the Blind. The section also amends G.S. 143B-158 to increase membership of the Commission for the Blind from 13 to 19 members and increase the number of membership positions that may be held by persons who are not blind.

Section: 12B.1

Title: **NC PRE-K**

Summary: Maintains the current eligibility criteria for the pre-kindergarten program, NC Pre-K. Subsections (a) through (e) require NC Pre-K contractors to continue to issue multi-year contracts for NC Pre-K classrooms, require entities operating NC Pre-K classrooms to adhere to programmatic standards and classroom requirements as prescribed by the Division of Child Development and Early Education (DCDEE), and require NC Pre-K classrooms to participate in the SEEK automation system.

Subsections (f) and (g) create a pilot program to pay providers on a per-classroom basis versus a per-child basis and extends the reporting date to January 31, 2014 for DCDEE to report on the implementation of the pilot program. These subsections also direct DCDEE to report annually by March 15 on the number of children served by county, expenditures, and the results of an annual evaluation of the program. Both reports are to be provided to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. (SB 557)

Subsection (h) amends G.S. 143B-168.4(b) to stagger the terms of the initial new appointees to the Child Care Commission.

Subsection (i) sets the expiration date of the existing Commission members on the effective date of the act and sets the appointment date of the new members for October 1, 2013.

(S.L. 2013-363, Sec. 4.2, Modifications/2013 Appropriations Act, amends this section to correct the number of members appointed to the Child Care Commission. Section 4.3 adds a new section to extend the licensure deadline for public school Pre-K classrooms to July 1, 2014.)



Section: 12B.3

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 (SMI), and requires families to participate in the cost of care by paying eight, nine, or ten percent of the gross family income based on family size.

Subsection (c) sets out the requirements for payments to child care facilities and prohibits the use of child care subsidy funds for facility registration fees and transportation services. Eligibility for post-secondary education subsidy is limited to 20 months.

Subsections (d) through (g) direct the Division of Child Development and Early Education to calculate a market rate for each rate category in each county or region, define higher quality care as four- and five-star rated facilities, and prohibit separate licensing requirements for facilities operated pursuant to G.S. 110-106.

Subsection (h) requires that child care services funded through the Work First Block Grant comply with all subsidized child care program regulations and procedures.

Subsection (i) sets child care subsidy eligibility criteria for legal and illegal noncitizen families in the State.

Subsection (j) requires county departments of social services to include information on whether a child waiting for child care subsidy is receiving assistance through Pre-K or Head Start.

Section: 12B.4

Title: **CHILD CARE ALLOCATION FORMULA**

Summary: Directs DHHS to allocate subsidy funds to counties based on the number of children in each county under age 11 in families with all parents working earning less than 75 percent of the State Median Income. DHHS is authorized to reallocate unused voucher funds to counties based on projected expenditures of all child care subsidy voucher funding.

Section: 12B.5

Title: **CHILD CARE FUNDS MATCHING REQUIREMENTS**

Summary: Directs that no matching funds may be required of local governments as a condition of receiving their initial allocation of child care funds. All reallocated funds exceeding \$25,000 above a local government's initial allocation shall be matched by 20 percent.

Section: 12B.6

Title: **CHILD CARE REVOLVING LOAN**

Summary: Authorizes the DHHS to administer a Child Care Revolving Loan program.

Section: 12B.7

Title: **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION**

Summary: Directs the Division of Child Development and Early Education (DCDEE) to fund the administrative allowance for county departments of social services at four percent of the county's total child care subsidy funds or \$80,000, whichever is greater.

Subsection (b) allows a county department of social services to use up to two percent of subsidy funds allocated to the county for fraud detection and investigation.

Subsection (c) requires DCDEE to submit a progress report on the use of child care subsidy funds for fraud detection and investigation initiatives to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by May 1, 2014 and a follow-up report by January 1, 2015.

(S.L. 2013-363, Sec. 4.7, Modifications/2013 Appropriations Act, amends this section to allow DCDEE to adjust the allocations in the Child Care and Development Fund Block Grant under Section 12J.1 of S.L. 2013-360 to the final amount for administration and fraud detection and investigation initiatives. The Division shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30, 2013 on the final amount allocated for administrative costs.)

Section: 12B.8

Title: **STUDY USE OF UNIQUE STUDENT IDENTIFIER/CHILD CARE SUBSIDY**

Summary: Directs the Division of Child Development and Early Education (DCDEE) to coordinate with the Department of Public Instruction in studying assigning unique student identifiers to monitor, throughout their education, the performance levels of children receiving child care subsidies. DCDEE shall report on the results of the study to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division by April 1, 2014.

Section: 12B.9

Title: **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT ADJUSTMENTS**

Summary: Directs the North Carolina Partnership for Children, Inc. (NCPC) and its Board to establish policies that focus on improving child care quality in North Carolina for children from birth to five years of age.

NCPC shall maintain administrative costs at no more than eight percent of the total statewide allocation to all local partnerships. NCPC shall not reduce allocations for counties with less than 35,000 population below their FY 2012-13 funding level. The provision prohibits NCPC from allocating funds for use on capital expenditures and on advertising and promotional activities. Local partnerships are prohibited from using State funds on marketing and advertising.

Section: 12C.1

Title: **REVISE DATES/TANF BENEFIT IMPLEMENTATION**

Summary: Approves the Temporary Assistance for Needy Families (TANF) 2012-15 State plan, and designates the Electing Counties for 2012-15. The TANF State plan is adjusted from a two-year plan to a three-year plan.

Section: 12C.2

Title: **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS**

Summary: Sets forth the standards and reporting requirements for the Intensive Family Preservation Service program, which provides intensive services for children and families in cases of child abuse, neglect, or dependency where a child may or may not be at imminent risk of removal from the home.

Section: 12C.3

Title: **CHILD CARING INSTITUTIONS**

Summary: Limits the maximum reimbursement rates for child caring institutions to the rate established by the Department of Health and Human Services, Office of the Controller, until the Social Services Commission adopts rules setting standardized rates.

Section: 12C.4

Title: **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

Summary: Authorizes the Division of Social Services (DSS) to use existing funds available for foster care services to support a Guardianship Assistance Program that will allow existing foster parents to serve as legal guardians of children in foster care. In order for a child to be eligible for the program, the child must be deemed to be in a permanent family placement setting, eligible for legal guardianship, and otherwise unlikely to receive permanency.

Section: 12C.5

Title: **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

Summary: Authorizes \$200,000 for FY 2013-14 and \$400,000 for FY 2014-15 to be used to expand NC REACH, a child welfare postsecondary support program that provides assistance for the educational needs of youth aging out of foster care and for special needs children adopted from foster care after age 12.

Section: 12C.7

Title: **DSS STUDY/PROCEDURES FOR REPORTING CHILD ABUSE**

Summary: Directs DSS to study policies and procedures in place for reporting child abuse. DSS shall report on the results of the study by April 1, 2014 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

Section: 12C.8

Title: **CODIFY WORK FIRST FAMILY ASSISTANCE ELIGIBILITY AND PAYMENT LEVELS**

Summary: Amends Part 2 of Article 2 of Chapter 108A to add a new section that codifies existing eligibility and payment levels for the Work First Family Assistance program.

Section: 12C.10

Title: **A FAMILY FOR EVERY CHILD/PROVISION OF FOSTER CARE**

Summary: Subsections (a) and (b) direct the use of appropriations for the Adoption Promotion Fund and the Permanency Innovation Initiative Fund for each year of the FY 2013-15 biennium.

Subsection (c) amends G.S. 108A-50.2 to change the name of the "Special Children Adoption Fund" to the "Adoption Promotion Fund;"

Subsections (d) and (e) recodify G.S. 131D-10.1 through G.S. 131D-10.9 as Part 1 of Article 1A of Chapter 131D of the General Statutes; and create a new Part 2, "A Family for Every Child Initiative," in Article 1A of Chapter 131D of the General Statutes. The Permanency Innovation Initiative Oversight Committee is created and is located administratively in the General Assembly. The Committee shall collect and analyze information on the initiative, identify short and long term cost-savings, oversee program implementation, and study and recommend other policies and services that impact permanency and well-being outcomes. The Committee shall submit a report to the General Assembly annually by September 15 on its findings, analysis, and recommendations.

The Permanency Innovation Initiative Fund is created to support a demonstration project to improve permanency outcomes of children living in foster care. (H.B. 971)

Section: 12D.2

Title: **TIERED STATE-COUNTY SPECIAL ASSISTANCE PILOT**

Summary: Directs the Division of Aging & Adult Services (DAAS) to establish a State-County Special Assistance pilot program for a minimum of 12 months in four to six counties (at least two rural and two urban) to implement a tiered rate structure for individuals residing in group homes, in-home living arrangements, and assisted living residences. The program objectives are to (i) determine how to implement a block grant for this program statewide and (ii) test the feasibility and effectiveness of implementing a tiered rate structure to address program participants' intensity of need. DAAS shall submit a progress report on the pilot program implementation by February 1, 2014 and a final report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by February 1, 2015.

Section: 12D.3

Title: **STATE-COUNTY SPECIAL ASSISTANCE**

Summary: Sets FY 2013-15 biennium State-County Special Assistance rates for adult care home residents at \$1,182 per month per resident and at \$1,515 per month per resident for special care units.

Section: 12E.1

Title: **INCREASE PERMIT FEES FOR CERTAIN FOOD AND LODGING ESTABLISHMENTS**

Summary: Amends G.S. 130A-247 to increase the annual permit fee for food and lodging establishments from \$75 to \$120, effective August 1, 2013. The portion of the fee retained by the State is increased from 33.3 percent (\$25) to \$50. S.L. 2011-145, Sec. 31.11A, and S.L. 2012-142, Sec. 10.15, provisions amending food and lodging fees effective July 1, 2013 are repealed.

Section: 12E.2

Title: **MODIFICATIONS TO ORAL HEALTH STRATEGY**

Summary: Encourages health departments to increase access to direct clinical care in their dental clinics. Fifteen FTE positions within the Oral Health Section are eliminated, effective October 1, 2013. The Department of Health and Human Services shall submit a revised statewide oral health strategic plan that includes recommendations for reorganizing the Oral Health Section, improving public oral health and increasing access to dental care by February 1, 2014 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

Section: 12E.3

Title: **FUNDS FOR SCHOOL NURSES**

Summary: Directs that funds appropriated for the School Nurse Initiative shall supplement, not supplant, other State or local funds for school nurses. Local Education Agencies shall maintain current level of effort and funding for school nurses. A formula is established for the distribution of funds for school nurses. The school nurse funding report required by S.L. 2011-145, Sec. 6.9 is repealed.

Section: 12E.4

Title: **CHILDREN'S DEVELOPMENTAL SERVICE AGENCIES**

Summary: Authorizes DHHS to close up to four of the 16 Children's Developmental Service Agencies (CDSAs), effective July 1, 2014, with direction to retain the CDSA in the City of Morganton, as well as the CDSAs with the highest caseloads of children residing in rural and medically underserved areas. DHHS shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2014 identifying any CDSAs selected for closure.

Section: 12E.5

Title: **AIDS DRUG ASSISTANCE PROGRAM**

Summary: Directs DHHS to work with the Department of Public Safety (DPS) to ensure that DPS expenditures for AIDS pharmaceuticals can be included in State matching funds required to draw down federal Ryan White funds. DHHS shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by April 1, 2014 and April 1, 2015 on alternatives for serving individuals eligible to receive services under the AIDS Drug Assistance Program (ADAP), including the State Medicaid program and the federally facilitated Health Benefit Exchange.

Section: 12E.6

Title: **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE**

Summary: Directs DHHS to award up to 12 grants, not to exceed \$300,000 each, to local health departments, hospitals, community and faith-based organizations, and the Community Care of North Carolina networks for initiatives to eliminate health disparities among minority populations. S.L. 2011-145, Sec. 10.21(d), is amended to replace the annual reporting requirement with a one-time report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by October 1, 2013.

Section: 12E.7

Title: **STRATEGIES FOR IMPROVING MEN'S HEALTH**

Summary: Codifies as General Statute 130A-223.1 the requirement that the DHHS develop strategies to prevent disease and improve the quality of life for men over their entire lifespan.

Section: 12E.8

Title: **INCREASE NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEES**

Summary: Amends G.S. 130A-389 to increase the fee paid by counties for autopsies performed by the Chief Medical Examiner from \$1,000 to \$1,250, effective August 1, 2013.

Section: 12F.2

Title: **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

Summary: Directs the use of \$38,121,644 in funds appropriated to the Division of MH/DD/SAS for crisis services each year of the FY 2013-15 biennium to increase the number of community hospital beds available to Local Management Entities/Managed Care Organizations under the State-administered three-way contracts. DHHS shall develop a two-tiered system of payment for purchasing beds or bed days, with an enhanced rate of payment for higher acuity level beds, not to exceed the lowest average cost per patient bed day among the State psychiatric hospitals. The use of these funds to supplant other funds appropriated or otherwise available for this purpose is prohibited. The Hospital Utilization Pilot Program required by S.L. 2012-142, Sec. 10.10 is repealed. DHHS shall submit a report on the uniform system and other State-funded initiatives to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by no later than March 1, 2014.

Section: 12F.3

Title: **FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM**

Summary: Directs the use of funds appropriated for the FY 2013-15 biennium for the NC Child Treatment Program for clinical training on evidence-based mental health treatment for children. The Department shall develop a secure, online database to provide individual and aggregate-level data. All data, including data entered or stored in the database, is and shall remain State property. (S.B. 605)

Section: 12F.4

Title: **SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

Summary: Directs the Division of MH/DD/SAS to distribute 1/12th of each Local Management Entity/Managed Care Organization's (LME/MCO) continuation allocation at the beginning of each fiscal year and to make budget neutral updates, as necessary, to the standardized benefits offered to recipients of LME/MCO community service funds.

Section: 12F.4A

Title: **BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE MONITORING**

Summary: Requires DHHS to ensure Local Management Entity/Managed Care Organizations (i) implement clinical integration activities with Community Care of North Carolina (CCNC) through the Total Care collaborative and (ii) submit claims data to both the CCNC Informatics Center and the Medicaid Management Information System no later than January 1, 2014. DHHS shall develop quality and performance indicators for mental health, developmental disabilities and substance abuse services. DHHS shall report on outcomes and savings associated with implementation of clinical integration activities to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by no later than March 1, 2014 and semiannually thereafter.

Section: 12F.5

Title: **MH/DD/SAS HEALTH CARE INFORMATION SYSTEM PROJECT**

Summary: Prohibits expenditure of funds to further develop and implement a health care information system for the State-operated facilities until 1) DHHS submits a detailed plan no later than March 1, 2014 to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division; and 2) DHHS receives prior approval from the State's Chief Information Officer.

Section: 12F.6

Title: **LME/MCO FUNDS FOR SUBSTANCE ABUSE SERVICES**

Summary: Directs Local Management Entities/Managed Care Organizations to fund substance abuse prevention and education activities at a level that, at a minimum, is equal to the amount spent in FY 2012-13. The Department of Health and Human Services shall allocate up to \$300,000 to the Treatment Accountability for Safer Communities Program.

Section: 12F.7

Title: **STUDY WAYS TO IMPROVE OUTCOMES AND EFFICIENCIES IN ALCOHOL & DRUG ABUSE TREATMENT PROGRAMS**

Summary: Directs DHHS to study and report options to improve outcomes and reduce operating costs associated with inpatient treatment at Alcohol and Drug Abuse Treatment Centers by no later than April 1, 2014 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2014 Work Plan for the Program Evaluation Division of the General Assembly a study of the most effective and efficient ways to operate inpatient alcohol and drug abuse treatment programs.

Section: 12G.1

Title: **THREE-YEAR MORATORIUM ON SPECIAL CARE UNIT LICENSES AND REVIEW OF CURRENT SPECIAL CARE UNIT STAFFING REQUIREMENTS**

Summary: Establishes a three-year moratorium, from July 1, 2013 to July 1, 2016, on the issuance of licenses for special care units (SCU), as defined in G.S. 131D-4.6 and G.S. 131E-114. The moratorium does not prevent the Division of Health Service Regulation (Division) from: (i) issuing a SCU license to a facility that is acquiring an existing SCU, (ii) issuing a SCU license upon a determination by the Department of Health and Human Services (DHHS) Secretary that increased access to this type of care is necessary in a specific area of the State, or (iii) processing all completed applications for SCU licenses received by the Division with the applicable fee prior to June 1, 2013. DHHS shall review laws pertaining to staff ratios and other staffing requirements of SCUs and report recommendations for changes by no later than April 1, 2014 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

Section: 12G.2

Title: **ELIMINATE COMPREHENSIVE REPORT ON MEDICATION-RELATED ERRORS IN NURSING HOMES**

Summary: Repeals G.S. 131E-128.5 to eliminate the mandate on the DHHS Secretary to contract with a public or private entity to develop and implement a Medication Error Quality Initiative that would provide for, among other things, analysis of reports by nursing homes on their medication-related errors.

Section: 12G.3

Title: **CERTIFICATE OF NEED EXEMPTION FOR REPLACEMENT OF PREVIOUSLY APPROVED EQUIPMENT & FACILITIES LOCATED ON THE MAIN CAMPUS OF A LICENSED HEALTH SERVICE FACILITY**

Summary: Amends G.S. 131E-176 to exempt from Certificate of Need (CON) review:

(i) the purchase of any replacement equipment that exceeds the current \$2 million threshold if DHHS had already issued a CON for the equipment being replaced and the replacement equipment is to be used on the main campus of a licensed health service facility; and

(ii) any capital expenditure that exceeds the current \$2 million threshold, if the sole purpose of the capital expenditure is to renovate, replace on the same site, or expand an existing health service facility on the main campus of a licensed health service facility and the capital expenditure does not result in a change in bed capacity or the addition of a health service facility or any other new institutional health service.

(S.L. 2013-363, Sec. 4.6, Modifications/2013 Appropriations Act, amends Sec. 12G.3(b) to exempt replacement equipment for which a CON was not required for the original equipment purchase.)

Section: 12H.1

Title: **DETAILED MEDICAID REFORM PROPOSAL TO BE PREPARED BY DEPARTMENT OF HEALTH AND HUMAN SERVICES; MEDICAID REFORM ADVISORY GROUP ESTABLISHED**

Summary: Establishes an Advisory Group to advise DHHS on the development of a detailed Medicaid reform plan. DHHS shall report the details of the Medicaid reform plan to the General Assembly no later than March 17, 2014. DHHS is prohibited from taking action without General Assembly approval. (H.B. 398/S.B. 367)



Section: 12H.2

Title: **CLARIFY STATE PLAN AMENDMENT PROCEDURES**

Summary: Creates new G.S. 108A-54.1A to codify procedures for when and how State Plan Amendments (SPA) may be submitted. The section also directs DHHS to amend the SPA that provides average commercial rates for faculty members of the University of North Carolina and Eastern Carolina University medical schools.

(S.L. 2013-363, Sec. 4.14, Modifications/2013 Appropriations Act, amends this section to limit these payments to eligible medical professional providers who were receiving these payments as of May 22, 2013.)

Section: 12H.3

Title: **CODIFY GENERAL POLICIES**

Summary: Amends G.S. 108A-54 to set out a general requirement that the Medicaid Program be administered in accordance with NC law, federal law, and the Medicaid State Plan.

Section: 12H.4

Title: **CODIFY MEDICAID AS SECONDARY PAYOR**

Summary: Amends G.S. 108A-55 to direct that Medicaid will pay for services only after other liable third party payers have been billed.

Section: 12H.5

Title: **CODIFY COUNTIES SHARING IN FRAUD RECOVERY**

Summary: Amends Part 6 of Article 2 of Chapter 108A of G.S. to require DHHS to provide incentives to counties that recover fraudulently spent Medicaid funds.

Section: 12H.6

Title: **CODIFY CHANGES TO MEDICAL POLICY**

Summary: Amends G.S. 108A-54.2 to combine Medicaid and Health Choice medical policy statutory provisions, including notice and approval requirements of changes to medical policy.

Section: 12H.7

Title: **PROVIDER APPLICATION AND RECREDENTIALING FEE**

Summary: Requires DHHS to charge Medicaid providers a \$100 enrollment fee for (i) new applications and (ii) recredentialing every three years.

Section: 12H.8

Title: **CODIFY ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS**

Summary: Amends G.S. Chapter 108C to maintain the requirement that providers accept electronic payments and submit certain materials/requests through website.

(S.L. 2013-363, Sec. 4.9(b), Modifications/2013 Appropriations Act, removed codification of this language.)

Section: 12H.9

Title: **CLARIFY RULE MAKING**

Summary: Creates new G.S. 108A-54.1B to codify DHHS' rulemaking authority and gives State Plan Amendments and Waivers the force of administrative rules. The Department shall consult with the Office of State Budget and Management on the potential fiscal impact of temporary rules on the State budget and local governments.

Section: 12H.10

Title: **MEDICAID ELIGIBILITY; ADJUSTMENT TO HEALTH CHOICE ELIGIBILITY**

Summary: Maintains eligibility requirements for the Medicaid program. Subsection 12H.10.(g) expands Medicaid eligibility for children ages 6-18 from 100 percent to 133 percent of the federal poverty level, as required by the Affordable Care Act, effective January 1, 2014, and eliminates Health Choice eligibility for that population of children.

Section: 12H.11

Title: **NC HEALTH CHOICE TEMPORARY EXTENDED COVERAGE**

Summary: Allows persons turning 19 after June 1, 2013 to pay a premium to maintain NC Health Choice insurance coverage until the federal Health Benefit Exchange is operational.

Section: 12H.12

Title: **STUDY POTENTIAL SAVINGS THROUGH THE PURCHASE OF INSURANCE**

Summary: Requires DHHS to study the opportunities for savings in State funding by purchasing health insurance for individuals who are currently served by programs administered by DHHS. DHHS shall report no later than April 1, 2014 to the Joint Legislative Oversight Committee on Health and Human Services.

Section: 12H.13

Title: **MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR SERVICES**

Summary: Adjusts the covered services and payments for covered services under Medicaid and NC Health Choice, including:

Subsection (b) eliminates inflationary rate increases with the exception of Federally Qualified Health Centers, Rural Health Centers, State Operated services, Hospice, Part B and D Premiums, third party and HMO premiums, drugs, and MCO capitation payments;

Subsection (c) increases copays to the maximum allowed by the federal Centers for Medicare and Medicaid Services;

Subsection (d) (1) requires prior authorization for visits in excess of ten per recipient per fiscal year for professional services provided by physicians, nurse practitioners, nurse midwives, physician assistants, clinics, and health departments (currently required for visits in excess of 22). (Requirement does not apply to chronic conditions.);

Subsection (d) (2) limits adult rehabilitation home visits for set up and training to three within a 12-month period;

Subsection (e) reduces the percentage of allowable costs for hospital outpatients from 80 percent to 70 percent;

Subsection (f) changes reimbursement rates for specialty drugs based on Wholesale Acquisition Cost (WAC) pricing to 101 percent of WAC and drugs based on the State Medicaid Allowable Cost (SMAC) pricing to 150 percent of SMAC; and

Subsection (g) authorizes the Department to implement prior authorization for mental health drugs.

(S.L. 2013-363, Sec. 4.13, Modifications/2013 Appropriations Act, amends Sec. 12.H.13(f) to change the reimbursement rate for nonspecialty drugs based on WAC pricing to 102.7 percent of WAC and to change dispensing fees based upon a tiered chart. Section 4.4 also amends Sec. 12H.13(g) to prohibit DHHS from requiring prior authorization for mental health drugs on the Preferred Drug List.)

Section: 12H.13A

Title: **ADDITIONAL MANAGEMENT OF DRUG UTILIZATION**

Summary: Directs DHHS to work with Community Care North Carolina (CCNC) to ensure better pharmacy management including recipient compliance, pharmacy compliance with CCNC protocols, and the identification of insurance recipients that are frequent users of the pharmacies to coordinate with physicians and pharmacists to implement steps to enhance CCNC care management programs

Section: 12H.16

Title: **ADMINISTRATIVE HEARINGS FUNDING; CONTINGENCY FEES TO AUDIT CONTRACTORS**

Summary: Continues a \$1 million transfer from DHHS to the Office of Administrative Hearings for mediation services and recipient appeals.

A new General Statute, G.S. 108C-5.1, is created to prohibit DHHS from paying contingency fees to any contractor conducting Medicaid post-payment reviews or Recovery Audit Contractor (RAC) audits before all appeal rights have been exhausted. The State's final payment shall not exceed the State share of the amount actually recovered by the Department.

Section: 12H.17

Title: **CODIFY PROVIDER PERFORMANCE BONDS**

Summary: Adds a new General Statute, G.S. 108C-14, which authorizes DHHS to require Medicaid providers to purchase performance bonds of up to \$100,000 based on certain risk conditions.

Section: 12H.18

Title: **SHARED SAVINGS PLAN WITH PROVIDERS**

Summary: Directs the DHHS to consult with providers and develop a shared savings incentive plan to reward providers based on performance. DHHS shall report no later than March 1, 2014 to the Joint Legislative Oversight Committee on Health and Human Services on the development of the shared savings plan. Performance incentive payments are authorized effective January 1, 2015.

DHHS shall withhold three percent of payments to specific Medicaid providers beginning January 1, 2014. The Department shall use the funds withheld from prescription drug payments to develop a program for Medicaid and Health Choice recipients with Community Care of North Carolina (CCNC) that is similar to Checkmeds NC Program.

Section: 12H.19

Title: **MODIFY HOSPITAL PROVIDER ASSESSMENTS BY CHANGING AMOUNT RETAINED BY STATE TO A PERCENTAGE**

Summary: Amends G.S. 108A-121(8) to change the amount that the State collects and retains from hospital provider assessments from \$43 million to 25.9 percent of collections (approximately \$52 million in FY 2013-14). The State shall continue to retain 25.9 percent for hospitals acquired by providers that are currently exempt from assessments.

(S.L. 2013-397, Sec. 10, LME/MCO Enrollee Grievances and Appeals, amends Sec. 12H.19 to stipulate that the first \$43 million of the State's annual Medicaid payment must be allocated between the equity assessment and the upper payment limit (UPL) assessment; and that the portion above \$43 million will be allocated to the UPL assessment.)

Section: 12H.20

Title: **MODIFY MEDICAID RATE METHODOLOGIES FOR RECENTLY ACQUIRED PROVIDERS; CREATE REGIONAL BASE RATES FOR HOSPITALS**

Summary: Requires DHHS to reduce hospital base rates for acquired hospitals (post December 31, 2011) to what the rates were prior to acquisition. DHHS shall replace existing individual base rates for all hospitals with new regional base rates.

Section: 12H.21

Title: **COMMUNITY CARE OF NORTH CAROLINA COST-EFFECTIVENESS AND OUTCOMES STUDY; CONTINUED REPORTING**

Summary: Directs the Office of the State Auditor to engage nationally recognized medical researchers to conduct a detailed study of Community Care of North Carolina (CCNC) effectiveness, as recommended by the State Auditor. \$100,000 in State funds is authorized to be used for the study.

The CCNC Network shall report quarterly to DHHS and to the Office of State Budget and Management (OSBM) on the development of a statewide Enhanced Primary Care Case Management system and defined goals. The CCNC Network shall submit biannual reports to the Secretary of Health and Human Services, OSBM, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on progress and implementation.

Section: 12H.22

Title: **COMMUNITY CARE OF NORTH CAROLINA TO SET AND PAY PER MEMBER PER MONTH PAYMENTS ON PERFORMANCE BASIS TO ENCOURAGE BETTER CARE MANAGEMENT**

Summary: Directs DHHS to contract with the North Carolina Community Care Networks (NCCCN) to administer performance-based per member per month payments to participating physicians and to adjust the payment methodology (contingent upon contract re-negotiation with NCCCN).

Section: 12H.24

Title: **ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

Summary: Directs DHHS to transfer \$110 million in FY 2013-14 and \$109 million in FY 2014-15 from the Division of Medical Assistance to general availability in the General Fund; applies only to nonfederal dollars from sources such as State hospitals and fund balances.

Section: 12H.25

Title: **MEDICAID SPECIAL FUND TRANSFER**

Summary: Appropriates \$43 million each year of the FY 2013-15 biennium from the Medicaid Special Fund to DHHS for Medicaid programs.

Section: 12H.26

Title: **MEDICAID COST CONTAINMENT ACTIVITIES**

Summary: Allows DHHS to use up to \$5 million each year of the FY 2013-15 biennium for administrative activities that achieve cost savings. DHHS shall report by December 1 annually on the expenditures under this provision to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division.

Section: 12H.27

Title: **MISCELLANEOUS MEDICAID PROVISIONS**

Summary: Maintains miscellaneous provisions for the program, including volume purchasing, cost containment, publishing notices, and Medicaid ID cards.

Section: 12H.28

Title: **CONTINUE A+KIDS REGISTRY AND ASAP INITIATIVE**

Summary: Directs CCNC and DHHS to continue to monitor the prescription and administration of atypical antipsychotics for Medicaid recipients under age 18 as well as to utilize a prior authorization policy for Medicaid recipients age 18 and older. CCNC and DHHS shall report on the effectiveness of these programs to the Joint Legislative Oversight Committee on Health and Human Services by no later than April 1, 2014.

Section: 12I.2

Title: **STUDY/ALLOW CERTIFIED NURSE-MIDWIVES GREATER FLEXIBILITY IN PRACTICE OF MIDWIFERY**

Summary: Directs the Joint Legislative Oversight Committee on Health and Human Services (LOC) to appoint a subcommittee to study whether certified nurse-midwives should be given greater flexibility in the practice of midwifery. The subcommittee shall report to LOC findings and recommendations on or before April 1, 2014. (H.B. 204)

Section: 12J.1

Title: **DHHS BLOCK GRANTS**

Summary: Appropriates nearly \$900 million in federal block grant funds for each year of the FY 2013-15 biennium. Items of note include: (i) \$3.8 million added to a General Fund appropriation for the new performance-based, competitive block grant process for nonprofits, and (ii) \$295 million provided for child care subsidies at the same aggregate amount across block grants as the current fiscal year. (S.L. 2013-184)

## **2013 Session: HB 336**

**Department:** Health and Human Services

Section: 7

Title: **FEDERAL BLOCK GRANTS**

Summary: Allocates federal block grant funds at the levels provided in Sec. 10.25 of S.L. 2012-142, Modify 2011 Appropriations Act.

The Quality and Availability Initiatives item under Local Administrative Expenditures of the Child Care and Development Block Grant is funded at 90 percent of the FY 2012-13 level. The Women's Health and Oral Health items under the Local Program Expenditures and the Health Promotion item under DHHS Program Expenditures of the Maternal and Child Health Block Grant shall not be funded.

Block grant funds that are not in controversy are allocated at the levels provided in Senate Bill 402, Appropriations Act of 2013, 3rd edition, and Senate Bill 402, 5th edition:

- (1) Temporary Assistance for Needy Families (TANF) Funds.
- (2) Temporary Assistance for Needy Families (TANF) Emergency Contingency Funds.
- (3) Substance Abuse Prevention and Treatment Block Grant.

Funding of any item of S.L. 2012-142, Sec. 10.25, DHHS Block Grants that are not funded in either S.B. 402, 3rd edition, or S.B. 402, 5th edition is prohibited.

(S.L. 2013-360, Sec. 38.4B.(b), Appropriations Act of 2013, repeals this section.)

Section: 8

Title: **MEDICAID STATE PLAN AMENDMENTS**

Summary: Requires the Department of Health and Human Services to prepare and submit necessary State Plan Amendments (SPA) required to achieve the proposed Medicaid reductions in S.B. 402, 3rd Edition, or S.B. 402, 5th Edition, and amend or withdraw unnecessary SPA's.

Section: 13

Title: **ADDITIONAL FUNDS TO COVER MEDICAID SHORTFALL**

Summary: Provides a maximum appropriation of \$496 million to cover projected Medicaid shortfalls in FY 2012-13. S. L. 2013-56, Medicaid/2012-2013 Additional Appropriations, is amended to authorize increased reversions within the Department of Health and Human Services from \$48 million to \$84.5 million and to authorize up to \$8.5 million in federal block grant funds to provide funds for the Medicaid FY 2012-13 shortfall.

## 2013 Session: HB 112

**Department:** Health and Human Services

Section: 4.1

Title: **BUDGET CHANGE: NC INSTITUTE OF MEDICINE**

Summary: Amends S.L. 2013-360, Appropriations Act of 2013, to revise G.S. 90-470 to authorize the NC Institute of Medicine (NCIOM) Board of Directors to amend the NCIOM bylaws. A new section, G.S. 90-471, is added to change the appointments to the NCIOM Board, effective January 1, 2014, as follows: seven from Governor, seven on recommendation of Speaker of the House, and seven on recommendation of President Pro Tempore of the Senate, with no board members serving for more than two consecutive four-year terms.

Section: 4.2

Title: **TECHNICAL CHANGE: CHILD CARE COMMISSION**

Summary: Amends S.L. 2013-360, Sec. 12B.1, Appropriations Act of 2013, to correct the number of members of the Child Care Commission.

Section: 4.3

Title: **BUDGET CHANGE: NC PRE-K**

Summary: Amends S.L. 2013-360, Sec. 12B.1, Appropriations Act of 2013, by adding a new subsection (j) that extends the deadline that a public school classroom is required to be licensed by the Division of Child Development and Early Education to July 1, 2014.

Section: 4.4

Title: **BUDGET CHANGE: MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR SERVICES**

Summary: Amends S.L. 2013-360, Sec. 12H.13(g), Appropriations Act of 2013, to prohibit the Department from requiring prior authorization for medications on the Preferred Drug List (PDL) that are prescribed for mental illness.

Section: 4.6

Title: **BUDGET CHANGE: CERTIFICATE OF NEED EXEMPTION FOR REPLACEMENT OF PREVIOUSLY APPROVED EQUIPMENT & FACILITIES LOCATED ON THE MAIN CAMPUS OF A LICENSED HEALTH SERVICE FACILITY**

Summary: Amends S.L. 2013-360, Sec. 12G.3, Appropriations Act of 2013, to authorize DHHS to exempt the certificate of need (CON) requirement for replacement equipment purchases where a CON was not required when the original equipment was initially purchased by the licensed health service facility.

Section: 4.7

Title: **TECHNICAL CHANGE: ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION**

Summary: Amends S.L. 2013-360, Sec. 12B.7, Appropriations Act of 2013, to allow the Division of Child Development and Early Education (DCDEE) to adjust allocations in the Child Care and Development Fund Block Grant, Section 12J.1 of S.L. 2013-360, after adjusting for administration and fraud detection and investigation initiatives. DCDEE shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30, 2013 on the final amount allocated for administrative costs.

Section: 4.9.(a)

Title: **TECHNICAL CHANGE: GENERAL MEDICAID POLICIES**

Summary: Amends S.L. 2013-360, Sec. 12H.3, Appropriations Act of 2013, by not codifying portions of the section.

Section: 4.9.(b)

Title: **TECHNICAL CHANGE: ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS**

Summary: Amends S.L. 2013-360, Sec. 12H.8, Appropriations Act of 2013, by not codifying the section.

Section: 4.11

Title: **BUDGET CHANGE: FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS**

Summary: Amends S.L. 2013-360, Sec. 12A.4, Appropriations Act of 2013, to change the effective date of subsection (j) to January 1, 2015.

Section: 4.12

Title: **BUDGET CHANGE: EFFECTIVE DATE FOR CHANGES TO LAWS PERTAINING TO MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

Summary: Amends S.L. 2013-378, Sec. 10, Amend Laws Pertaining to DHHS, to extend the due date for the realignment or merger of local mental health area authorities under a 1915(b)(c) Medicaid waiver from January 1, 2014 to April 1, 2014.



Section: 4.13

Title: **BUDGET CHANGE: MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR SERVICES**

Summary: Amends S.L. 2013-360, Sec. 12H.13, Appropriations Act of 2013, by revising drug reimbursements as follows:

- (1) Requires specialty drug prices based on the Wholesale Acquisition Cost (WAC) to be paid at 101 percent of WAC.
- (2) Requires non-specialty drug prices based on WAC to be paid at 102.7 percent of WAC.
- (3) Sets dispensing rate for brand drugs at two dollars (\$2.00).
- (4) Sets rates for dispensing generic drugs based on the percentages of generic drugs dispensed by the pharmacy in the previous quarter, as follows:

Percentage Tier	Rate
Greater than or equal to 80%	\$7.75
Greater than or equal to 75% and less than 80%	\$5.50
Greater than or equal to 70% and less than 75%	\$2.00
Less than 70%	\$1.00

Section: 4.14

Title: **BUDGET CHANGE: CLARIFY STATE PLAN AMENDMENT PROCEDURES**

Summary: Amends S.L. 2013-360, Sec. 12H.2, Appropriations Act of 2013, to limit the definition of eligible medical professional providers who may receive supplemental payments based on average commercial rates to those providers who were receiving the rate as of May 22, 2013.

Section: 4.16

Title: **BUDGET CHANGE: STUDY WAYS TO IMPROVE OUTCOMES AND EFFICIENCIES IN ALCOHOL & DRUG ABUSE TREATMENT PROGRAMS**

Summary: Amends S.L. 2013-360, Appropriations Act of 2013, to add a new subsection 12F.7(c) that removes the requirement that the Department of Health and Human Services (DHHS) must reduce each Alcohol and Drug Abuse Treatment Center (ADATC) budget by 12 percent. DHHS is provided flexibility to implement the reduction by decreasing the variability of per bed costs across the three facilities. DHHS is prohibited from closing any of the ADATCs.

Section: 4.17

Title: **TECHNICAL CHANGE: MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR SERVICES**

Summary: Amends S.L. 2013-360, Sec. 12H.13, Appropriations Act of 2013 to clarify that, except as otherwise specifically provided in this or any other act passed during the 2013 Regular Session, the State plan services, copays, reimbursement rates, and fees authorized as of June 30, 2013, for both the Medicaid and Health Choice programs, are maintained.

Section: 4.18

Title: **BUDGET CHANGE: REQUIRED PARTICIPATION IN NC HIE FOR SOME PROVIDERS**

Summary: Amends S.L. 2013-382, Modern State Human Resources Management/RTR, to require that the NC Health Information Exchange (HIE) provide DHHS real-time access to data and information contained in the NC HIE. DHHS and NC HIE shall execute an agreement governing the use of the data in compliance with the Health Information Portability and Accountability Act of 1996 (P.L.104-191). DHHS and NC HIE shall submit a joint report on the agreement to the Joint Legislative Oversight Committees on Information Technology and Health and Human Services.

**Natural  
&  
Economic Resources  
Section H**

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# Agriculture and Consumer Services

<b>GENERAL FUND</b>
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<b>Recommended Continuation Budget</b>	<b>FY 13-14</b>		<b>FY 14-15</b>	
	<b>\$108,918,334</b>		<b>\$108,918,334</b>	

## Legislative Changes

### Department-wide

#### 1 Management Flexibility Reserve

Reduces operational support to encourage increased efficiency. The reduction equates to a 1.5 percent operating reduction from the Department's continuation budget in FY 2013-14 and 1.4 percent operating reduction in FY 2014-15.

(\$1,500,000)	R	(\$1,500,000)	R
(\$125,000)	NR		

### Food & Drug

#### 2 Food Compliance Officer Position

Provides funding to support a new position in the Food and Drug Division to improve the compliance inspection process in the Grade "A" Milk program.

\$64,338	R	\$64,338	R
\$800	NR		
1.00		1.00	

### Forest Service

#### 3 Forest Service Operational Support/Aircraft Maintenance

Provides an additional \$350,000 in recurring funding for operational support. Of the recurring funds provided, the Department shall establish an administrative position whose primary responsibility will be the collection of Forest Service receipts.

\$350,000	R	\$350,000	R
\$500,000	NR		
1.00		1.00	

This section also provides a nonrecurring appropriation of \$500,000 in FY 2013-14 for aircraft maintenance.

### Markets

#### 4 Additional Marketing Funding

Provides an additional \$1.5 million recurring to expand domestic and international marketing initiatives to support North Carolina agricultural products. The Department shall also use the additional funds to support the Wine and Grape Growers Council that was funded on a nonrecurring basis in FY 2012-13.

\$1,500,000	R	\$1,500,000	R
1.00		1.00	

The time-limited position supporting the Wine and Grape Growers Council (60080945) will be made permanent and will be supported by funds allocated to the Wine and Grape Growers Council.

**FY 13-14**

**FY 14-15**

**5 Southeastern NC Agricultural Center**

Restores recurring funding and positions to the Southeastern NC Agricultural Center in Lumberton. The Center was provided nonrecurring funding in FY 2012-13 and directed to study alternative operating models. (S.L. 2013-363, Sec. 5.17)

\$362,230	R	\$362,230	R
6.00		6.00	

**Plant Industry**

**6 Plant Conservation Continuation**

Provides recurring funding to restore the amount no longer transferred from the Natural Heritage Trust Fund. Position (60012489) previously supported by Natural Heritage Trust Fund receipts is shifted to General Fund support.

\$75,000	R	\$75,000	R
1.00		1.00	

**Research Stations**

**7 Bioenergy Development**

Provides funding to the Department of Agriculture and Consumer Services to stimulate energy production from North Carolina agricultural or forestry based products. Funding is provided to support up to five new positions and a grant program. Operating expenses, including personnel and travel, are not to exceed \$400,000 in FY 2013-14 and \$500,000 in FY 2014-15.

\$900,000	R	\$1,500,000	R
5.00		5.00	

**8 Research Stations Equipment**

Provides funds to modernize farming equipment on Research Stations in each year of the FY 2013-15 biennium.

\$2,500,000	NR	\$2,500,000	NR
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**Reserves & Transfers**

**9 Tobacco Trust Fund**

Provides funding to the Tobacco Trust Fund to be disbursed as grants. Administrative expenses may be deducted from funds available, but shall not exceed \$350,000 in any fiscal year. (S.L. 2013-360, Sec. 13.5)

\$2,000,000	R	\$2,000,000	R
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**10 Agricultural Development and Farmland Preservation Trust Fund**

Reduces the General Fund appropriation by \$1 million on nonrecurring basis in each year of the biennium. The reduction in General Fund support will be offset by \$1 million in each year of the FY 2013-15 biennium from TVA Settlement funds. (S.L. 2013-360, Sec. 13.3)

(\$1,000,000)	NR	(\$1,000,000)	NR
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**11 NC Agriculture Foundation (FFA Foundation)**

Provides additional funding to the FFA Foundation, which was previously funded through Commerce State-Aid. (S.L. 2013-360, Sec. 13.7)

\$40,000	R	\$140,000	R
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**Soil and Water Conservation**

**12 AgWRAP**

\$500,000

R

\$500,000

R

Provides a recurring \$500,000 appropriation to the Agriculture Water Resource Assistance Program ("AgWRAP"). The program received a nonrecurring \$500,000 appropriation in FY 2012-13.

(S.L. 2013-360, Sec. 13.3, provides an additional \$500,000 in each year of the FY 2013-15 biennium from TVA Settlement Funds to be disbursed in 17 western counties)

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**Total Legislative Changes**

**\$4,291,568**

R

**\$4,991,568**

R

**\$1,875,800**

NR

**\$1,500,000**

NR

**Total Position Changes**

15.00

15.00

**Revised Budget**

**\$115,085,702**

**\$115,409,902**

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# Special Provisions

## 2013 Session: SB 402

**Department:** Agriculture and Consumer Services

Section: 13.1

**Title:** **INCREASE CERTAIN AGRONOMIC TESTING FEES**

**Summary** Amends G.S. 106-22 to establish a \$4 per-sample soil testing fee during "peak season." Peak season is defined as December 1st through March 31st during any year. Also increases fee for expedited shipping samples from \$100 to \$200.

Section: 13.2

**Title:** **AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM FUNDING**

**Summary** Allows the Department to use up to 15 percent of the funds appropriated to the Agricultural Water Resources Assistance Program (AgWRAP) for administrative, technical, and engineering assistance.

Section: 13.3

**Title:** **TVA SETTLEMENT FUNDS**

**Summary** Directs the Department to draw down \$2.24 million in Tennessee Valley Authority Settlement Funds in each year of the FY 2013-15 biennium. Restricts the use of funds to the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, and Yancey. Allocates funds as follows in each year of the biennium:

- \$500,000 - Environmental Mitigation Project grants
- \$500,000 - Agricultural Water Resource Assistance Program grants
- \$1,000,000 - Agricultural Development and Farmland Preservation Trust Fund
- \$240,000 - Appalachian Energy Center at Appalachian State University

Section: 13.4

**Title:** **SUSTAINABLE LOCAL FOOD ADVISORY COUNCIL SUNSET**

**Summary** Amends S.L. 2012-75 to move the sunset date for the Council from July 31, 2015 to July 31, 2013.

Section: 13.5

**Title:** **TOBACCO TRUST FUND**

**Summary** Allows the Tobacco Trust Fund to use up to \$350,000 in appropriated funds to cover administrative expenses and directs the Trust Fund to give preference to tobacco producers when awarding grants.

Section: 13.6

**Title:** **STATE FAIR ADMISSION**

**Summary** Exempts the Board of Agriculture from the rule-making process to allow the Department of Agriculture and Consumer Services to increase fees for the 2013 State Fair.



Section: 13.7

Title: **FUTURE FARMERS OF AMERICA PROGRAM FUNDS/REPORTING REQUIREMENTS**

Summary Establishes annual reporting requirements for the North Carolina Agricultural Foundation for funds provided to support the Future Farmers of America program. The report will be submitted to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1 of each year of the FY 2013-15 biennium.

Section: 13.8

Title: **ALLOW BOARD TO ESTABLISH EXAMINATION FEE/SOIL SCIENTISTS**

Summary Amends G.S. 89F-25 to allow the Board for Licensing of Soil Scientists to charge a fee to cover the actual cost of the licensing examination. The previous fee was statutorily defined and not sufficient to cover the actual cost of the examination.

Section: 13.9

Title: **INCREASE CERTAIN COMMERCIAL FERTILIZER FEES FOR PACKAGES OF FIVE POUNDS OR LESS**

Summary Amends G.S. 106-660 to direct the Department to increase the annual registration fee for small fertilizer packages sold in the State from \$30 to \$55. Amends G.S. 106-671 to exempt small fertilizer packages from the fertilizer inspection tonnage fee.

## **2013 Session: HB 112**

**Department:** Agriculture and Consumer Services

Section: 5.17

Title: **BUDGET CHANGE: SOUTHEASTERN AGRICULTURE CENTER/RECEIPT-SUPPORTED**

Summary Adds a new section directing the Department of Agriculture and Consumer Services to take all necessary actions to make the Southeastern Agriculture Center fully receipt-supported.

# Labor

<b>GENERAL FUND</b>
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	<b>FY 13-14</b>		<b>FY 14-15</b>	
<b>Recommended Continuation Budget</b>	<b>\$16,196,339</b>		<b>\$16,196,339</b>	
<b>Legislative Changes</b>				
<b>Occupational Safety &amp; Health</b>				
<b>13 Partial Restoration of OSHA Federal Receipts</b>	\$500,000	R	\$500,000	R
Provides funds to offset federal funding reductions.				
<b>Standards &amp; Inspections</b>				
<b>14 Apprenticeship Bureau</b>				
Transfers \$350,000 recurring in Workforce Investment Act funds from the Department of Commerce to the Department of Labor for the Apprenticeship program. (S.L. 2013-360, Sec. 15.5)				
(S.L. 2013-363, Sec. 5.5, Modifications/2013 Appropriations Act, repeals this transfer due to S.L. 2013-330, Local Workforce Dev./Dislocated Workers. This item also appears on page H 27, item 78.)				
<b>Total Legislative Changes</b>	<b>\$500,000</b>	<b>R</b>	<b>\$500,000</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$16,696,339</b>		<b>\$16,696,339</b>	

# Special Provisions

2013 Session: **SB 402**

**Department:** Labor

Section: 13.10

**Title: DEPARTMENT OF LABOR CREATE AND CONDUCT SAFETY PROGRAM FOR HISTORICAL BOILER OPERATORS**

**Summary** Amends G.S. 95 to add a new Article, 7B Historical Boilers, to require the Department of Labor to create a new safety training program for historical boiler operators.

# Environment & Natural Resources

<b>GENERAL FUND</b>
---------------------

	<b>FY 13-14</b>		<b>FY 14-15</b>	
<b>Recommended Continuation Budget</b>	<b>\$109,140,591</b>		<b>\$109,220,682</b>	

**Legislative Changes**

**Department-wide**

<b>15 Management Flexibility Reserve</b>	(\$2,277,894)	R	(\$2,277,894)	R
Reduces funding to the Department by two percent and provides the Secretary with the flexibility to take the reduction to programs and activities that cause the least disruption in service.				

<b>16 Clean Water Management Trust Fund</b>	\$10,426,976	R	\$13,657,530	R
Combines the activities of the Natural Heritage Trust Fund with the Clean Water Management Trust Fund and provides funding to support the combined purposes. Provides staff to administer the Trust Fund (13.5 FTE's) and up to \$750,000 for staff to administer the Natural Heritage program. (S.L. 2013-360, Sec. 14.3 and Sec. 14.3A)				
	13.50		13.50	

**Aquariums**

<b>17 Admission Receipts</b>	(\$100,000)	R	(\$100,000)	R
Budgets over-realized admission fee receipts in the General Fund to offset the operating costs of the State's three aquariums at Roanoke Island, Fort Fisher, and Pine Knoll Shores. (S.L. 2013-360, Sec. 14.1)				

**Conservation, Planning, and Community Affairs**

<b>18 Sustainable Communities Task Force</b>	(\$95,331)	R	(\$95,331)	R
Abolishes the Community Planner position (60031547) that supports the Sustainable Communities Task Force, which was created by the General Assembly in 2010 to lead and support the State's sustainable communities initiatives. Also, the Task Force is sunset on June 30, 2013. (S.L. 2013-360, Sec. 14.2)				
	-1.00		-1.00	

<b>19 Operating Support</b>	\$325,000	R	\$325,000	R
Restores personnel and operating funds for the Office of Conservation, Planning and Community Affairs that had been previously supported with a transfer from the Natural Heritage Trust Fund.				
	3.00		3.00	

- 60036191 Program Development Coordinator
- 60036192 Program Development Coordinator
- 60036213 Educational Development Coordinator

**Energy, Mineral and Land Resources**

**20 Energy Office**

Transfers the Energy Office from the Department of Commerce to the Department of Environment and Natural Resources as a Type I transfer, including 49.91 FTEs supported by receipts in special funds. (S.L. 2013-360, Sec. 15.22. This transfer also appears on page H-24, item 62.)

\$1,762,714	R	\$1,762,714	R
6.17		6.17	

**21 Pass-through Funding to Appalachian State University**

Reduces funding to Appalachian State University and provides nonrecurring funds from the Tennessee Valley Authority settlement, which must be spent in accordance with either the Consent Decree ("Categories of Projects," paragraph 128) or the Compliance Agreement ("Environmental Mitigation Projects," Appendix C). (S.L. 2013-360, Sec. 13.3)

(\$240,000)	NR	(\$240,000)	NR
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**22 Shale Gas Exploration**

Provides funding to support up to four positions to assist the Energy and Mining Commission as well as operating support including but not limited to annual membership dues to the Southern States Energy Board and marketing expenses related to shale gas resources. This item also provides nonrecurring funding to provide for data collection and analysis of geological samples associated with the State's shale gas basins: Deep River Basin, Dan River Basin, and the Cumberland-Marlboro Basin.

\$300,000	R	\$400,000	R
\$300,000	NR	\$250,000	NR
4.00		4.00	

**Environmental Assistance and Outreach**

**23 Small Business Assistance Program**

Budgets Air Quality permit fees to partially offset General Fund support of a Senior Environmental Specialist (60035965) in the federally mandated Small Business Assistance Program, which helps small businesses comply with the requirements of the Clean Air Act.

(\$19,422)	R	(\$19,422)	R
-0.30		-0.30	

**24 Solid Waste Management**

Provides funding for the activities of the Solid Waste Management Outreach Program (previously the Solid Waste Management Trust Fund), which now includes developing secondary markets for the reuse of scrap tires. (S.L. 2013-360, Sec. 14.18)

\$1,100,000	R	\$1,100,000	R
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**25 Operating Funds**

Provides funds to support personnel and operating costs that were previously funded from the Solid Waste Management Trust Fund. (S.L. 2013-360, Sec. 14.18)

\$1,375,000	R	\$1,375,000	R
15.50		15.50	

**Marine Fisheries**

**26 Temporary Wages**

Reduces temporary wages in the License Administration and Trip Ticket programs, the Purchasing/Warehouse Unit and the Marine Patrol Section. Total funding remaining for temporary wages is \$103,503.

(\$183,183) R (\$183,183) R

**27 Shellfish Rehabilitation Program**

Reduces funding for the Shellfish Rehabilitation Program by cutting temporary wages (\$27,474). Also eliminates one Marine Biologist position (60032767), which supports the Oyster Shell Recycling program, and associated operating costs.

(\$81,605) R (\$81,605) R

-1.00 -1.00

**28 Fisheries Resource Grant Program**

Eliminates the remaining appropriation for the Fishery Resource Grant Program which promotes cooperative research among commercial fishers, recreational anglers, seafood businesses, and university researchers. (S.L. 2013-360, Sec. 14.7)

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

**29 Marine Patrol**

Budgets anticipated federal receipts due to the creation of a Joint Enforcement Agreement that would allow the Division of Marine Fisheries to receive federal funds for enforcing federal fisheries laws in federal waters and law enforcement officers to be cross-sworn as National Marine Fisheries Agents. North Carolina is the only coastal state without a Joint Enforcement Agreement.

(\$150,000) NR (\$200,000) NR

**30 At-Sea Observer Program**

Provides nonrecurring funding for six new positions to support a statewide at-sea observer program for all fisheries, with an emphasis on the commercial estuarine gill net fishery. These positions, combined with nine existing positions, are necessary to meet federal requirements to monitor multiple fisheries. Support for the Observer Program in FY 2014-15 will come from an increase in commercial fish licenses and permits. (S.L. 2013-360, Sec. 14.8)

\$1,100,000 NR  
15.00

**Parks and Recreation**

**31 Adopt-a-Trails**

Eliminates funding for the Adopt-a-Trails Program. Grant funding for trail projects is still available through the NC Parks and Recreation Trust Fund.

(\$108,000) R (\$108,000) R

**32 Parks Operations**

Restores funding to the Division's operating budget which was reduced on a nonrecurring basis in the 2011-13 biennium.

\$6,000,000 R \$6,000,000 R

**33 Parks and Recreation Trust Fund**

\$11,000,000 R \$13,000,000 R

Provides a recurring General Fund appropriation to the Parks and Recreation Trust Fund to replace the loss of the deed stamp tax revenue which will now be deposited in the State's General Fund. Continues funding for staff associated with Trust Fund activities. (S.L. 2013-360, Sec. 14.4 and Sec. 14.5)

15.00 15.00

(S.L. 2013-363, Sec. 5.8, Modifications/2013 Appropriations Act, amends this item to remove debt service as an allowable use of the Trust Fund.)

**Waste Management**

**34 Inactive Hazardous Waste Sites**

\$250,000 R \$250,000 R

Provides funding for the Inactive Hazardous Sites Program to hire one engineer and one hydrogeologist to evaluate areas with known contamination that have limited data on water supply wells. The staff will sample water supply wells as well as investigate and abate contamination sources.

2.00 2.00

**35 Noncommercial Fund**

Provides a nonrecurring appropriation for the Noncommercial Leaking Underground Storage Tank Fund to assist homeowners with the cleanup costs of petroleum releases from home heating oil tanks and smaller farm tanks. (S.L. 2013-360, Sec. 14.15)

\$3,500,000 NR

**36 Scrap Tire Program**

\$500,000 R \$500,000 R

Provides recurring funding to support a portion of the salaries (.25 FTE) of four positions in four regional offices (\$80,000) and \$420,000 for scrap tire grants to counties.

1.00 1.00

- 60034594 Environmental Senior Specialist (0.25 FTE)
- 60034602 Environmental Program Supervisor (0.25 FTE)
- 60034608 Environmental Specialist (0.25 FTE)
- 60034595 Environmental Specialist (0.25 FTE)

(S.L. 2013-360, Sec.14.16)

**37 Bernard Allen Memorial Emergency Drinking Water Fund**

\$400,000 R \$400,000 R

Provides funds to replace the loss of scrap tire tax revenue, which will now be deposited into the State's General Fund. (S.L. 2013-360, Sec.14.14 and Sec.14.16)

**38 Inactive Hazardous Sites Cleanup Fund**

\$400,000 R \$400,000 R

Provides recurring funding to the Inactive Hazardous Sites Cleanup Fund to be used to fund assessment, remediation, and recordation of notices of inactive hazardous substance or waste disposal sites as provided in G.S. 130A-310.1(e), G.S. 130A-310.5(c), G.S. 130A-310.6(a), and G.S. 130A-310.8(d). (S.L. 2013-360, Sec. 14.16)

**39 Texfi Site Contamination**

Provides nonrecurring funds to be used for the cleanup and monitoring of groundwater and other contamination located at the Texfi site in Fayetteville as well as any emergency cleanup activities at that site.

\$50,000 NR

**Water Infrastructure Authority**

**40 Water Infrastructure Authority (WIA)**

Creates a new division and authority within the Department of Environment and Natural Resources for the purpose of addressing critical public water and wastewater infrastructure needs. Funding is provided for a new Division Director, as well as a recurring General Fund appropriation for a water and sewer database, and planning and supplemental grants to assist local governments. WIA will also administer the State Revolving Funds and the Community Development Block Grant Infrastructure Grant Program. Grant funds distributed by the authority shall be limited to Tier One and Tier Two counties.(S.L. 2013-360, Sec. 14.21)

\$4,000,000 R \$5,500,000 R

1.00 1.00

(S.L. 2013-363, Sec. 5.12, Modifications/2013 Appropriations Act, amends the appointments to the Water Infrastructure Authority.)

**41 Clean Water State Revolving Fund**

Provides funding for the required State match to draw down the maximum amount of federal funds available for the Clean Water State Revolving Fund. This program provides low-interest loans to local governments to construct wastewater facilities and provides \$5 in federal capitalization grant funds for every \$1 the state provides in matching funds.

\$4,925,000 R \$5,000,000 R

**42 Drinking Water State Revolving Fund**

Provides funding to meet State match requirements of \$4.71 million to allow the Department to draw down the maximum amount of federal funds available (\$23.54 million) for the Drinking Water State Revolving Fund for FY 2013-14. State match will be provided by combining a nonrecurring General Fund appropriation of \$1,234,545 with \$3.8 million in State funds from the Drinking Water Reserve. (S.L. 2013-360, Sec. 14.20)

\$1,234,545 R \$4,978,825 R

**Water Quality**

**43 Groundwater Unit**

Eliminates funding for the Groundwater Investigation Unit's well-drilling services.

(\$251,236) R (\$251,236) R

-4.00 -4.00

**44 Clean Water State Revolving Fund**

Transfers the Clean Water State Revolving Fund program and staff to the newly created Division of Water Infrastructure. (S.L. 2013-360, Sec. 14.21)



**Water Resources**

**45 Receipt Support**

Budgets additional federal receipts and shifts 4.3 positions from General Fund appropriation to receipt support. Also abolishes one vacant Office Assistant IV (60034526), and reduces \$75,000 in contract funds for well-drilling services.

(\$484,521)	R	(\$484,521)	R
-5.30		-5.30	

- 60034385 Engineering Manager (1.00 FTE)
- 60034388 Engineer (0.80 FTE)
- 60034394 Engineering Supervisor (1.00 FTE)
- 60034398 Engineering Supervisor (1.00 FTE)
- 60034397 Geologist (0.50 FTE)

**46 Division Consolidation**

Reduces funding due to efficiencies created by consolidating the Divisions of Water Resources and Water Quality. Reductions should focus on personnel line-items and operating costs associated with eliminating or fund shifting positions where feasible. (S.L. 2013-413, Sec. 57)

(\$2,000,000)	R
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**47 Drinking Water State Revolving Fund**

Transfers the Drinking Water State Revolving Fund program and staff to the newly created Division of Water Infrastructure. (S.L. 2013-360, Sec. 14.21)

**Zoo**

**48 Operating Reductions**

Reduces operating support for temporary wages, worker's compensation, and equipment.

(\$211,323)	R	(\$211,323)	R
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**49 Zoo Tram**

Provides funding to support repair and replacement of zoo trams.

\$250,000	NR
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**Total Legislative Changes**

<b>\$40,086,720</b>	R	<b>\$48,736,554</b>	R
<b>\$4,810,000</b>	NR	<b>(\$190,000)</b>	NR

**Total Position Changes**

64.57	49.57
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**Revised Budget**

<b>\$154,037,311</b>	<b>\$157,767,236</b>
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# Drinking Water Reserve

Budget Code: 64324

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$13,298,248</b>	<b>\$9,498,248</b>
<b>Recommended Budget</b>		
Requirements	\$472,051	\$472,051
Receipts	\$472,051	\$472,051
Positions	0.00	0.00

**Legislative Changes**

**Requirements:**

<b>Drinking Water Reserve</b>	\$0	R		\$0	R
Provides a portion of the State match required to draw down the maximum amount of federal funds available (\$23.5 million) for the Drinking Water State Revolving Fund for FY 2013-14. (S.L. 2013-360, Sec. 14.20)	\$3,800,000	NR		\$0	NR
	0.00			0.00	
<b>Subtotal Legislative Changes</b>	<b>\$0</b>	<b>R</b>		<b>\$0</b>	<b>R</b>
	<b>\$3,800,000</b>	<b>NR</b>		<b>\$0</b>	<b>NR</b>
	0.00			0.00	

**Receipts:**

<b>Drinking Water Reserve</b>	\$0	R		\$0	R
	\$0	NR		\$0	NR
<b>Subtotal Legislative Changes</b>	<b>\$0</b>	<b>R</b>		<b>\$0</b>	<b>R</b>
	<b>\$0</b>	<b>NR</b>		<b>\$0</b>	<b>NR</b>

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Revised Total Requirements	<b>\$4,272,051</b>	<b>\$472,051</b>
Revised Total Receipts	<b>\$472,051</b>	<b>\$472,051</b>
<b>Change in Fund Balance</b>	<b>(\$3,800,000)</b>	<b>\$0</b>
<b>Total Positions</b>	<b>0.00</b>	<b>0.00</b>
<b>Unappropriated Balance Remaining</b>	<b>\$9,498,248</b>	<b>\$9,498,248</b>

# Special Provisions

## 2013 Session: SB 402

**Department:** Environment & Natural Resources

Section: 14.1

**Title:** **DEVELOP PLAN FOR AQUARIUMS TO RAISE PRIVATE FUNDS FOR SUPPORT ASSISTANCE**

**Summary** Directs the Division of Aquariums within the Department of Environment and Natural Resources to develop a plan to increase the amount of private contributions generated to make the Aquariums more financially self-sustaining and report to the House Appropriations Subcommittee and the Senate Appropriations Committee on Natural and Economic Resources and the Fiscal Research Division.

Section: 14.2

**Title:** **EARLY SUNSET FOR NC SUSTAINABLE COMMUNITIES TASK FORCE**

**Summary** Amends Section 13.5(e) of S.L. 2010-31 to move the sunset date for the North Carolina Sustainable Communities Task Force from June 30, 2016 to July 31, 2013.

Section: 14.3

**Title:** **CLEAN WATER MANAGEMENT TRUST FUND UNDER DENR; NHTF REPEALED; CWMTF CHANGES**

**Summary** Repeals Article 5A of Chapter 113, the Natural Heritage Trust Fund (NHTF). Amends Article 18 of Chapter 113A, Clean Water Management Trust Fund (CWMTF) by adding two of NHTF's primary purposes: 1) land acquisition for ecological diversity and 2) protection or preservation of sites of historical significance, to the purposes for CWMTF grants. This section also authorizes the use of funds to provide buffers around military bases as an allowable purpose of the CWMTF grants. The CWMTF now receives the portion of the proceeds from certain specialty license plates that was previously credited to NHTF. This section reduces CWMTF Board of Trustees from 21 members to 9 members and abolishes the existing board effective August 1, 2013. Also, removes CWMTF's independent status and transitions staff and funds to the direct control of DENR.

Section: 14.3A

**Title:** **JORDAN LAKE WATER QUALITY IMPROVEMENT DEMONSTRATION PROJECT**

**Summary** Directs the Department of Environment and Natural Resources (DENR) to enter into a contract with a third-party to establish a 24-month demonstration project for the management of nutrients in Jordan Lake. Also directs the Clean Water Management Trust Fund to transfer \$1.35 million in FY 2013-14 and \$300,000 in FY 2014-15 to implement the Jordan Lake Water Quality Improvement Demonstration Project.

Section: 14.3B

**Title:** **SPECIAL LICENSE PLATE REVENUE FOR FRIENDS OF STATE PARKS, INC.**

**Summary** Amends G.S. 20-81.12(b2)(5) to redirect funds derived from the registration of North Carolina State Parks special license plates from the Natural Heritage Trust Fund and the Parks and Recreation Trust Fund to the Friends of State Parks, Inc.

Section: 14.4

Title: **DEED STAMP TAX PROCEEDS CREDITED TO GENERAL FUND**

Summary Amends G.S. 105-228.30(b) to redirect the State portion of deed stamp tax revenue from the Parks and Recreation Trust Fund (PARTF) and the Natural Heritage Trust Fund to the General Fund on a permanent basis. Also amends G.S. 113-44.15(a) to eliminate the credit of the deed stamp tax to PARTF.

Section: 14.5

Title: **PARKS AND RECREATION AUTHORITY**

Summary Amends G.S. 143B-313.2 to reduce the number of board members on the North Carolina Parks and Recreation Authority from 15 members to nine members.

Section: 14.7

Title: **FISHERY RESOURCE GRANT PROGRAM REPEAL**

Summary Repeals G.S. 113-200, the Fishery Resource Grant Program.

Section: 14.8

Title: **MARINE FISHERIES LICENSE AND PERMIT FEES; LICENSE AND PERMIT REQUIREMENTS; FEE INCREASES FUND DMF AT-SEA OBSERVER PROGRAM**

Summary Amends numerous marine fisheries licenses and permits statutes to increase a variety of commercial fishing license and registration fees by 25% to support the At-Sea Observer Program. The Division of Marine Fisheries (DMF) within the Department of Environment and Natural Resources is directed to use funds available to the Division to cover any additional costs not supported by the increased fees. Also requires DMF to work with the North Carolina commercial fishing industry to develop a plan to determine a recurring source of funding to support the At-Sea Observer Program in addition to the fee increases.

Section: 14.9

Title: **MARINE RESOURCES FUND AND MARINE RESOURCES ENDOWMENT FUND DISBURSEMENTS**

Summary Amends the Marine Resources Fund (G.S. 113-175.1) and the Marine Resources Endowment (G.S. 113-175.5) by removing the requirement that the Wildlife Resources Commission pre-approve any disbursement of money from these Funds. Instead, this section directs the Marine Fisheries Commission to consult with the Wildlife Resources Commission prior to authorizing disbursements from the respective funds.

Section: 14.10

Title: **MARINE FISHERIES ENDOWMENT FUND REPEALED**

Summary Repeals G.S. 143B-289.58 which established the Marine Fisheries Endowment Fund.

Section: 14.11

Title: **BOATING SAFETY ENFORCEMENT AGREEMENT**

Summary Directs the Division of Marine Fisheries and Wildlife Resources Commission to develop and implement an enforcement agreement designed to limit duplicative enforcement activities in the State's coastal waterways. The Division and Commission are directed to submit a joint report regarding any findings and recommendations to the Natural and Economic Resources Appropriations House Subcommittee and Senate Committee and the Fiscal Research Division by April 1, 2014.

Section: 14.14

Title: **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

Summary Amends the Bernard Allen Memorial Emergency Drinking Water Fund (G.S. 87-98) to provide greater flexibility for use of monies in the Fund, including: (i) increasing the frequency at which drinking water wells may be tested for contamination; (ii) modifying two limitations on the maximum amount of monies that may be disbursed from the Fund to extend waterlines; (iii) prioritizing funding for wells contaminated by artificial sources over those with naturally occurring contamination; and (iv) clarifying a provision concerning an allowance for administrative expenses.

Section: 14.15

Title: **NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK CLEANUP FUND; DENR STUDY**

Summary Amends G.S. 143-215.94D(b1) to implement a deductible for homeowners reporting a noncommercial leaking underground storage tank after August 1, 2013. The deductible is set at \$1,000 plus a 10 percent co-payment of the actual cost of cleanup capped at \$1,000. Caps the total maximum out-of-pocket cost per occurrence at \$2,000.

The section also directs the Department to study the costs and benefits of the program, and recommend options to improve the solvency of the program. The Department shall report its findings to the Environmental Review Commission, the Natural and Economic Resources House Appropriations Subcommittee and the Senate Committee and the Fiscal Research Division by April 1, 2014.

Section: 14.16

Title: **PORTION OF SCRAP TIRE DISPOSAL TAX CREDITED TO GENERAL FUND; REPEAL SCRAP TIRE DISPOSAL ACCOUNT**

Summary Amends G.S.105-187.19(b) to redirect a portion of the scrap tire tax proceeds that were previously credited to the Solid Waste Management Trust Fund, the Scrap Tire Disposal Account, the Inactive Hazardous Sites Cleanup Fund, and the Bernard Allen Memorial Emergency Drinking Water Fund to the General Fund. Replaces the funding for each of these programs with General Fund appropriations. The section also reestablishes the Scrap Tire Disposal Program in place of the Scrap Tire Disposal Account.

Section: 14.17

Title: **PORTION OF WHITE GOODS DISPOSAL TAX CREDITED TO GENERAL FUND**

Summary Amends G.S. 105-187.24 to redirect the white goods disposal tax proceeds previously credited to the Solid Waste Management Account and to the White Goods Management Account to the General Fund. Also, repeals the White Goods Management Account effective June 30, 2017.

Section: 14.18

Title: **PORTION OF SOLID WASTE DISPOSAL TAX CREDITED TO GENERAL FUND; REPEAL SOLID WASTE MANAGEMENT TRUST FUND**

Summary Amends G.S. 105-187.63 to redirect the portion of the solid waste disposal tax that was previously credited to the Solid Waste Management Trust Fund to the General Fund. The section also establishes a Solid Waste Management Outreach Program within the Department to promote waste reduction and recycling.

Section: 14.20

Title: **DRINKING WATER STATE REVOLVING FUND**

Summary Allows the Department to transfer State funds available from the Drinking Water Reserve to the Drinking Water State Revolving Fund in FY 2013-14 to provide the necessary match to maximize federal grant funds.

Section: 14.21

Title: **CREATE NEW DIVISION OF WATER INFRASTRUCTURE IN DENR; NEW STATE WATER INFRASTRUCTURE AUTHORITY; TRANSFER WATER INFRASTRUCTURE FUND TO NEW DIVISION**

Summary Amends Chapter 159G by adding a new Article to create a new Division of Water Infrastructure within DENR to administer grant and loan programs for public water infrastructure projects that address critical environmental and public health needs. Further amends Chapter 159G by adding a new Article that establishes the State Water Infrastructure Authority to oversee the distribution of funds, and sets out requirements for membership, terms, compensation, powers and duties, and reports.

(S.L. 2013-363, Sec. 5.12, Modifications/2013 Appropriations Act, modifies the appointment requirements for certain appointees to the newly established Water Infrastructure Authority.)

Section: 14.22

Title: **INCREASE FUNDING FOR DREDGING**

Summary Amends Chapter 75A, Boating and Water Safety, to increase vessel registration and titling fees to provide funding for the dredging of the State's shallow draft inlets. This section also repeals the North Carolina exemption from registration requirements for vessels that are covered by documentation issued by the federal government, and the exemption from payment of the registration fees by commercial fishing vessels. G.S. 105-449.126 is amended to direct that one-sixth of one percent of the motor fuels tax be credited to the Shallow Draft Navigation Channel and Lake Dredging Fund, a newly established fund to be used for the State's share of the costs associated with any dredging project to keep North Carolina's shallow draft inlets and lakes navigable.

Section: 14.23

Title: **ENVIRONMENTAL MANAGEMENT COMMISSION**

Summary Amends G.S.143B-283 to increase the number of Environmental Management Commission appointees from 13 members to 15 members and to evenly split the appointment authority among the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. This section also ends the terms of members currently serving on the Commission effective July 31, 2013.

Section: 14.24

Title: **COASTAL RESOURCES COMMISSION**

Summary Amends G.S. 113A-104 to decrease the number of Coastal Resource Commission appointees from 15 members to 13 members and to divide the appointment authority among the Governor (9), the President Pro Tempore of the Senate (2), and the Speaker of the House of Representatives (2). This section also ends the terms of members currently serving on the Commission effective July 31, 2013 except for four members who will continue to serve until June 30, 2014.

Section: 14.25

Title: **COASTAL RESOURCES ADVISORY COMMISSION**

Summary Amends G.S. 113A-105, the Coastal Resources Advisory Council, to eliminate statutory designations of member appointments and to establish a new way to determine membership by allowing the Coastal Resources Commission to nominate candidates from counties and cities in the coastal area. The section also decreases the number of appointees to the Coastal Resources Advisory Council from 45 members to 20 members and ends the terms of members currently serving on the Council effective July 31, 2013.

## **2013 Session: HB 112**

**Department:** Environment & Natural Resources

Section: 5.8

Title: **TECHNICAL CHANGE: PARKS AND RECREATION TRUST FUND**

Summary Amends G.S. 113-44.15(b) to remove debt service as an allowable use of the Parks and Recreation Trust Fund.

Section: 5.12

Title: **TECHNICAL CHANGE 1: CREATE NEW DIVISION OF WATER INFRASTRUCTURE IN DENR; NEW STATE WATER INFRASTRUCTURE AUTHORITY; TRANSFER WATER INFRASTRUCTURE FUND TO NEW DIVISION**

Summary Amends S.L. 2013-360, Sec 14.21.(b) to modify the requirement that certain appointees to the Water Infrastructure Authority be a representative of an urban/rural local government wastewater system to requiring appointees to have knowledge and experience in urban/rural local government wastewater systems.

Section: 5.14

Title: **TECHNICAL CHANGE 2: CREATE NEW DIVISION OF WATER INFRASTRUCTURE IN DENR; NEW STATE WATER INFRASTRUCTURE AUTHORITY; TRANSFER WATER INFRASTRUCTURE FUND TO NEW DIVISION**

Summary Modifies narrative description to match numerical amount.



## Wildlife Resources Commission

<b>GENERAL FUND</b>
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	<b>FY 13-14</b>		<b>FY 14-15</b>	
<b>Recommended Continuation Budget</b>	<b>\$18,476,588</b>		<b>\$18,476,588</b>	
<b>Legislative Changes</b>				
<b>Commission-wide</b>				
<b>50 Wildlife Resources Commission</b>	(\$4,000,000)	R	(\$4,000,000)	R
Reduces General Fund support by \$6 million in FY 2013-14 and \$4 million in FY 2014-15. The Wildlife Resources Commission is allowed to use other funds available to the Commission to offset the reduction at its discretion.	(\$2,000,000)	NR		
<b>Total Legislative Changes</b>	<b>(\$4,000,000)</b>	R	<b>(\$4,000,000)</b>	R
	<b>(\$2,000,000)</b>	NR		
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$12,476,588</b>		<b>\$14,476,588</b>	

# Special Provisions

2013 Session: **SB 402**

**Department:** Wildlife Resources Commission

Section:

Title: **No Special Provisions**

Summary

# Commerce

<b>GENERAL FUND</b>
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<b>Recommended Continuation Budget</b>	<b>FY 13-14</b>		<b>FY 14-15</b>	
	<b>\$33,469,442</b>		<b>\$33,469,442</b>	
<b>Legislative Changes</b>				
<b>Department-wide</b>				
<b>51 Management Flexibility Reserve</b>	(\$567,469)	R	(\$567,469)	R
Reduces funding to the Department by two percent and provides the Secretary with the flexibility to take the reduction to programs and activities that cause the least disruption in service.				
<b>52 Indirect Cost Receipts</b>	(\$205,786)	R	(\$205,786)	R
Offsets the General Fund appropriation by maximizing the use of indirect cost receipts.				
<b>Administration</b>				
<b>53 Special Funds</b>	(\$332,527)	NR		
Offsets the General Fund appropriation for Administration by directing the unencumbered cash balance as of June 30, 2013 from the following funds toward operating costs:				
<ul style="list-style-type: none"> <li>NC Green Business Fund (24609-2535)</li> <li>Energy Research Grants Special Fund (24609-2537)</li> <li>International Trade Show Special Fund (24610-2431)</li> </ul>				
The International Trade Show Special Fund is closed after the transfer. (S.L. 2013-360, Sec. 15.6)				
<b>54 Director of Internal Operations</b>	(\$131,001)	R	(\$131,001)	R
Eliminates the Director of Internal Operations (60077182) position.				
	-1.00		-1.00	
<b>55 Accountant I</b>	(\$61,866)	R	(\$61,866)	R
Eliminates an Account I position (60089502). This position is no longer required to monitor nonprofits.				
	-1.00		-1.00	
<b>56 Processing Assistant</b>	(\$47,581)	R	(\$47,581)	R
Eliminates a Processing Assistant position (60080973).				
	-1.00		-1.00	
<b>57 Base Realignment and Closure (BRAC)</b>	\$1,000,000	NR		
Provides nonrecurring funding for the State's preparation for Department of Defense BRAC activities.				

**58 Office of Information Technology Services (OITS) Charges**

Restores funding to pay for ITS provided services.

\$75,000 R

\$75,000 R

**Business and Industry**

**59 Economic Developer**

Eliminates an Economic Developer position (60080949).

(\$83,651) R

(\$83,651) R

-1.00

-1.00

**Commerce Finance Center**

**60 Job Maintenance and Capital Development Fund (JMAC)**

Provides funds to fulfill JMAC agreements with Goodyear, Bridgestone, and Domtar.

\$6,705,473 NR

\$7,500,000 NR

**Community Assistance**

**61 Support Positions and Operating Budget**

Reduces one Office Assistant IV position (60081170).

(\$43,481) R

(\$43,481) R

-1.00

-1.00

**Energy**

**62 Energy**

Transfers the Energy Office from the Department of Commerce to the Department of Environment and Natural Resources as a Type I transfer. (S.L. 2013-360, Sec. 15.22. This transfer also appears on page H-9, item 20.)

(\$1,762,714) R

(\$1,762,714) R

-6.17

-6.17

**Industrial Commission**

**63 Management Flexibility Reserve**

Reduces funding to the Commission by 1.7 percent and provides the Commissioner with the flexibility to take the reduction in programs and activities that cause the least disruption in service.

(\$81,539) R

(\$81,539) R

**64 Commissioner**

Eliminates a Commissioner position (60080616). Section 16 of S.L. 2011- 287 reduced the number of Commissioners from seven to six, but did not eliminate the associated funding.

(\$150,029) R

(\$150,029) R

-1.00

-1.00

**65 Insurance Compliance Program**

Provides funds to the Industrial Commission to establish a compliance program that will apply data analytics received from North Carolina's Government Data Analytics Center (formerly the Government Business Intelligence Competency Center). This data and its application will enable the Industrial Commission to proactively identify noncompliant businesses and ensure these businesses obtain and maintain the required workers' compensation coverage.

\$901,502 R

\$901,502 R

13.00

13.00

**FY 13-14**

**FY 14-15**

**66 Investigation Management System**

Provides the Industrial Commission's newly established compliance program with the technology necessary to process, prioritize and track investigations and results based on data provided by North Carolina's Government Data Analytics Center (formerly the Government Business Intelligence Competency Center).

\$75,000 R  
\$50,000 NR

\$75,000 R

**International Trade**

**67 Position Reduction**

Eliminates an Administrative Assistance I position (60081000) and an Events Coordinator position (60081001).

(\$98,403) R  
-2.00

(\$98,403) R  
-2.00

**68 High Point Office**

Eliminates the High Point office and an Office Assistant position (60081007). The remaining Economic Developer position will co-locate with the High Point Market Authority. (S.L. 2013-360, Sec. 15.29)

(\$58,430) R  
-1.00

(\$58,430) R  
-1.00

**69 Trade Shows**

Reduces the trade show advertising budget to align with prior year expenditures. Total budget remaining is \$92,705.

(\$48,347) R

(\$48,347) R

**Labor and Economic Analysis Division**

**70 Common Follow-Up System**

Provides funding for the Common Follow-Up System managed by the Labor and Economic Analysis Division (LEAD), which is used to track performance measures related to current and former participants in State job training, education, and placement programs. Recurring funding will be contingent upon the findings of a legislative continuation review. (S.L. 2013-360, Sec. 15.8)

\$500,000 NR

**Marketing**

**71 Comprehensive Branding Strategy**

Provides funding for the Department of Commerce to develop a comprehensive branding strategy to promote North Carolina.

\$800,000 R

\$1,500,000 R

**72 Trade and Investment Event**

Provides funds for the 2014 Southeastern U.S. Canadian Strategic Trade and Investment Partnership Event. In an agreement signed in 2006, North Carolina agreed to host the event, which will identify opportunities to increase trade and investment between six southeastern U.S. States and seven Canadian provinces. The total cost is estimated at \$400,000. It is expected that the remaining \$250,000 will be raised from private sponsors.

\$150,000 NR

**NC Broadband**

**73 State Match**

(\$172,203) R (\$172,203) R

Eliminates the State match for the federal grant provided by the U.S. Department of Commerce National Telecommunications and Information Administration for State Broadband Data and Development Grant, currently titled NC Broadband-Rigor in Mapping. The required State match has been satisfied and the project will be complete by October 2014.

**Rural Economic Development**

**74 Rural Economic Development Division**

\$11,347,414 R \$12,971,898 R  
\$350,000 NR

Creates a new Division within the Department of Commerce for the purpose of addressing the economic development needs of the State's rural counties. Provides funding for a new Assistant Secretary for Rural Economic Development who will oversee administration of a new infrastructure grant program that gives priority to local governments in Tier One and Two Counties. The Division may use up to five percent of the funds appropriated in this section to cover its expenses in administering the new infrastructure grant program.

The Assistant Secretary will also oversee existing programs, including the Industrial Development Fund - Utility Account and the Community Development Block Grant for Economic Development. Nonrecurring funding is provided to encourage private sector broadband providers to extend connectivity to unserved areas that are otherwise not economically feasible for deployment. (S.L. 2013-360, Sec. 15.10 and Sec. 15.23)

(S.L. 2013-363, Sec. 5.13, Modifications/2013 Appropriations Act, amends this item to give priority to Tier One and Tier Two counties.)

**75 Limited Resource Communities Grant Program**

\$2,543,021 R

Creates a new competitive grant program within the Division for underserved and low resource communities. Provides over \$2.5 million in recurring funding beginning in FY 2014-15. (S.L. 2013-360, Sec. 15.10B)

**Travel, Tourism, & Sports Development**

**76 Tourism Advertising**

\$1,000,000 R

Provides additional funding for tourism advertising.

**Wanchese Seafood Industrial Park**

**77 Receipt Support**

(\$140,081) R

Eliminates funding for the Wanchese Seafood Industrial Park, including the Director position (60080846). The Park must be fully receipt supported beginning in FY 2014-15.

-1.00

**Workforce Solutions**

**78 Workforce Investment Act Funds**

Transfers \$350,000 recurring in federal Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the Apprenticeship Program. (S.L. 2013-360, Sec. 15.5)

(S.L. 2013-363, Sec. 5.5, Modifications/2013 Appropriations Act, repeals this transfer due to S.L. 2013-330, Local Workforce Dev./Dislocated Workers. This item also appears on page H - 6 item 14.)

<b>Total Legislative Changes</b>	<b>\$9,686,416</b>	<b>R</b>	<b>\$15,413,840</b>	<b>R</b>
	<b>\$8,072,946</b>	<b>NR</b>	<b>\$7,850,000</b>	<b>NR</b>
<b>Total Position Changes</b>	-2.17		-3.17	
<b>Revised Budget</b>	<b>\$51,228,804</b>		<b>\$56,733,282</b>	

Commerce - Special Revenue - GF

Budget Code: 24609

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$18,348,044</b>	<b>\$17,797,898</b>
<b>Recommended Budget</b>		
Requirements	\$28,711,556	\$28,711,556
Receipts	\$28,476,737	\$28,476,737
Positions	6.00	6.00

**Legislative Changes**

**Requirements:**

<b>NC Green Business Fund</b>	\$0 R	\$0 R
Transfers a portion of the cash balance to Commerce's Administration Division to offset operating expenses. (S.L. 2013-360, Sec. 15.6)	\$36,827 NR	\$0 NR
	0.00	0.00
<b>Energy Research Grants</b>	\$0 R	\$0 R
Transfers a portion of the cash balance to Commerce's Administration Division to offset operating expenses. (S.L. 2013-360, Sec. 15.6)	\$278,500 NR	\$0 NR
	0.00	0.00
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$315,327 NR</b>	<b>\$0 NR</b>
	0.00	0.00

**Receipts:**

<b>NC Green Business Fund</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>



2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Revised Total Requirements	<b>\$29,026,883</b>	<b>\$28,711,556</b>
Revised Total Receipts	<b>\$28,476,737</b>	<b>\$28,476,737</b>
<b>Change in Fund Balance</b>	<b>(\$550,146)</b>	<b>(\$234,819)</b>
<b>Total Positions</b>	<b>6.00</b>	<b>6.00</b>
<b>Unappropriated Balance Remaining</b>	<b>\$17,797,898</b>	<b>\$17,563,079</b>

Commerce- Special, Unbudgeted

Budget Code: 24610

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$698,929</b>	<b>\$681,729</b>
<b>Recommended Budget</b>		
Requirements	\$66,100	\$66,100
Receipts	\$66,100	\$66,100
Positions	0.00	0.00

**Legislative Changes**

**Requirements:**

<b>International Trade Show</b>	\$0 R	\$0 R
Transfers the cash balance to Commerce's Administration Division to offset operating expenses. Fund 24610 - 2431 is closed. (S.L. 2013-360, Sec. 15.6)	\$17,200 NR	\$0 NR
	0.00	0.00
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$17,200 NR</b>	<b>\$0 NR</b>
	0.00	0.00

**Receipts:**

<b>International Trade Show</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Revised Total Requirements	<b>\$83,300</b>	<b>\$66,100</b>
Revised Total Receipts	<b>\$66,100</b>	<b>\$66,100</b>
<b>Change in Fund Balance</b>	<b>(\$17,200)</b>	<b>\$0</b>
<b>Total Positions</b>	<b>0.00</b>	<b>0.00</b>
<b>Unappropriated Balance Remaining</b>	<b>\$681,729</b>	<b>\$681,729</b>

# Special Provisions

## 2013 Session: SB 402

**Department:** Commerce

Section: 15.1

**Title: SET REGULATORY FEE FOR UTILITIES COMMISSION**

**Summary** Sets the regulatory fee for public utilities at 0.13 percent of total revenues earned in the State. This section also continues the electric membership corporation regulatory fee imposed under G.S. 62-302(b1) at \$200,000 for each year of the FY 2013-15 biennium.

Section: 15.1A

**Title: REPEAL UWHARRIE REGIONAL RESOURCES ACT**

**Summary** Repeals Chapter 153C, Uwharrie Regional Resources Act, and the associated Commission, whose purpose was to encourage quality growth and development while preserving natural resources within a six county region.

Section: 15.2

**Title: INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT**

**Summary** Allows the Industrial Commission to use up to \$1.8 million of available funds in the Information Technology Project Special Fund over the FY 2013-15 biennium to replace the Electronic Document Management System.

Section: 15.3

**Title: UNEMPLOYMENT INSURANCE RESERVE**

**Summary** Directs the Office of State Budget and Management (OSBM) to transfer to the Unemployment Insurance (UI) Reserve cash balances from the Worker Training Trust Fund (WTTTF) and the Training and Employment Account (TEA) and then to close these special funds. This section also transfers \$10 million from the Special Employment Security Administration Fund to the UI Reserve.

(S.L. 2013-363, Sec. 5.15, Modifications/2013 Appropriations Act, amends Subsection (a) to direct these monies to the UI Trust Fund and add a Special Fund Code to the Training and Employment Account. Subsection (b) clarifies that funds appropriated to the UI Reserve are to be used for employees of all State agencies, departments, and institutions, The University of North Carolina, as well as State-funded local public school and community college employees. This section also 1) charges OSBM with managing the UI Reserve to ensure that adequate funds are available to comply with S.L. 2013-2, UI Fund Solvency & Program Changes, and 2) directs the Governor to use FY 2013-14 appropriated funds to ensure compliance with S.L. 2013-2.)

Section: 15.4

**Title: EMPLOYMENT SECURITY RESERVE FUND**

**Summary** Permits Commerce's Division of Employment Security (DES) to use the Employment Security Reserve Fund for the interest payment on North Carolina's federal Unemployment Insurance (UI) Advance. Subsection (b) gives DES permission to receive and spend a \$205 million federal grant on a new UI benefits and tax accounting system and UI program operations.

Section: 15.5

Title: **WORKFORCE INVESTMENT ACT FUNDS/TRANSFER OF FUNDS TO DEPARTMENT OF LABOR**

Summary Provides a recurring transfer of \$350,000 from Commerce's Workforce Investment Act funds to the Department of Labor's Apprenticeship Program.

(S.L. 2013-363, Sec. 5.5, Modifications/2013 Appropriations Act, repeals this transfer due to S.L. 2013-330, Local Workforce Dev./Dislocated Workers, which transfers the Apprenticeship Program to Commerce, effective January 1, 2014.)

Section: 15.6

Title: **SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION GENERAL FUND APPROPRIATION**

Summary Transfers the cash balances of three special funds to Commerce's Administration in order to offset General Fund appropriations. This provision closes the International Trade Show Special Fund after transfer.

Section: 15.7

Title: **SECRETARY DESIGNATE SUPERVISOR OF BLNC EMPLOYEES**

Summary Directs the Secretary of Commerce to designate supervision for Business Link North Carolina.

Section: 15.7A

Title: **COMMERCE FLEXIBILITY TO REORGANIZE DEPARTMENT TO ESTABLISH PUBLIC-PRIVATE PARTNERSHIP**

Summary Allows the Secretary of Commerce to reorganize positions and related operational costs within the Department to establish a public-private partnership, which includes cost containment measures. Implementation may only occur after the Office of State Budget and Management approves a reorganization plan submitted by the Secretary of Commerce. This section authorizes Commerce to use up to \$1 million in FY 2013-14 of the resulting cost-savings to cover reorganization costs. This section requires Commerce to report actions taken under this section to the House Appropriations Subcommittee and Senate Appropriations Committee on Natural & Economic Resources and the Fiscal Research Division by April 1, 2014.

Section: 15.8

Title: **COMMON FOLLOW-UP/CONTINUATION REVIEW**

Summary Requires the Department of Commerce to conduct a continuation review of the Common Follow-Up Information Management System and report preliminary findings to the Fiscal Research Division by December 1, 2013. By March 1, 2014 a final report is due to the Joint Legislative Commission on Governmental Operations and the House Appropriations Subcommittee and Senate Appropriations Committee on Natural & Economic Resources.

Section: 15.10

Title: **RURAL ECONOMIC DEVELOPMENT DIVISION CREATED**

Summary Amends Article 10 of Chapter 143B by adding a new part to create a new Rural Economic Development Division within the Department of Commerce, led by an Assistant Secretary and exempt professional staff. This section allows the Division to use up to five percent of General Fund appropriated funds for program administration. This section authorizes the Division to oversee administration of: 1) a new infrastructure and building reuse program for local governments in Tier 1 and Tier 2 Counties, 2) the Industrial Development Fund - Utility Account, and 3) federal Community Development Block Grant Economic Development funds. The section creates the Rural Infrastructure Authority (RIA), a 16 member board, which is authorized to determine grant awards. RIA consists of the Secretary of Commerce and five appointments each by the President Pro Tempore, the Speaker of the House, and the Governor. This section requires appointments to be representatives of Tier 1 or Tier 2 counties and serve for three years, but no more than two consecutive terms. This section directs RIA's Chair and Vice Chair to be selected by Authority members.

(S.L. 2013-363, Section 5.13, Modifications/2013 Appropriations Act, amends this section by giving priority to Tier 1 and Tier 2 counties for awards made under the new infrastructure and building reuse program.)

Section: 15.10A

Title: **GOLDEN LEAF FOUNDATION BOARD OF DIRECTORS/GOVERNOR'S APPOINTMENTS**

Summary Directs the Governor to designate the Chair, or the Chair's designee, of the Rural Infrastructure Authority as one of his five Golden LEAF appointments, upon modification of the Consent Decree.

(S.L. 2013-363, Sec. 5.9, Modifications/2013 Appropriations Act, amends this section to direct the Attorney General to take any necessary actions to implement the directive of the General Assembly.)

Section: 15.10B

Title: **ECONOMIC DEVELOPMENT COMPETITIVE GRANT PROGRAM FOR UNDERSERVED AND LIMITED RESOURCE COMMUNITIES**

Summary Establishes a new \$2.5 million competitive grant program in FY 2014-15 for local governments and nonprofits to encourage economic development in underserved and low resource communities.

Section: 15.10C

Title: **LRC STUDY/EFFICIENT DISTRIBUTION OF FUNDS FOR WATER & SEWER PROJECTS AND ECONOMIC DEVELOPMENT PROJECTS**

Summary Permits the Legislative Research Commission (LRC) to study efficiency opportunities for programs supporting critical/ public health water, wastewater, and economic development. The LRC may also study the criteria used to determine whether an area is rural and whether such criteria should be revised. This section directs the LRC to report findings to the 2014 Regular Session of the 2013 General Assembly.

Section: 15.12

Title: **LEAD/DEVELOP STANDARDIZED PERFORMANCE METRIC FOR NONPROFITS**

Summary Directs the Labor & Economic Analysis Division to develop standardized performance metrics for nonprofits receiving funding through Commerce. This information will be used by the General Assembly to inform future funding decisions.

(S.L. 2013-363, Section 5.10, Modifications/2013 Appropriations Act, amends this section to target “economic development” nonprofits.)

Section: 15.14

Title: **NER BLOCK GRANTS/2014 AND 2015 PROGRAM YEARS**

Summary Directs federal Community Development Block Grant (CDBG) funding from Program Years 2014 and 2015 to be allocated across three categories: Administration, Economic Development, and Infrastructure. This section requires the Department of Commerce to submit a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1 of each year of the FY 2013-15 biennium.

(S.L. 2013-363, Sec. 5.1 and 5.16, Modifications/2013 Appropriations Act, amends section as follows:

Section 5.1 removes the reporting requirement from the Division of Community Assistance and directs the responsibility to the Department of Commerce.

Section 5.16, Subsections (a) and (b) amends this section by increasing the Economic Development category by \$5 million and decreasing the Infrastructure category by \$5 million. Subsection (c) defines eligible Infrastructure activities as critical public water and wastewater projects, limited only by applicable federal regulations.)

Section: 15.15

Title: **NER BLOCK GRANTS/2013 PROGRAM YEAR**

Summary Redirects the allocation of Community Development Block Grant funds designated in S.L. 2012-142 to three categories: Administration, Economic Development, and Infrastructure. This section requires the Department of Commerce to submit a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1, 2013.

(S.L. 2013-363, Sec. 5.2 and 5.16, Modifications/2013 Appropriations Act, amend this section as follows:

Section 5.2 removes the Division of Community Assistance from the reporting requirement and instead directs the responsibility to the Department of Commerce.

Section 5.16, Subsections (d) and (e) increase the Economic Development category by \$5 million and decrease the Infrastructure category by \$5 million. Subsection (f) defines eligible Infrastructure activities as critical public water and wastewater projects, limited only by applicable federal regulations.)

Section: 15.16

Title: **ONE NORTH CAROLINA FUND**

Summary Permits Commerce to use up to \$250,000 from appropriations to the One NC Fund in each year of the FY 2013-15 biennium to cover expenses for administering the Fund and other economic development incentive grant programs.

Section: 15.16A

Title: **MODIFY ONE NC FUND AWARDS**

Summary Amends G.S. 143B-437.71(b1) to permit awards issued in a single fiscal biennium not to exceed \$28 million.

Section: 15.18

Title: **MODIFY INDUSTRIAL DEVELOPMENT FUND AND UTILITY ACCOUNT**

Summary Amends G.S. 143B-437.01 to modify the Industrial Development Fund (IDF) - Utility Account by: 1) reversing the change effective July 1, 2012, which limited Utility Account availability to the 65 most economically distressed counties, to permit use in all Tier 1 and Tier 2 Counties; 2) modifying language requiring that funds be reserved only for projects that will directly result in the creation of jobs to projects reasonably anticipated to result in the creation of jobs and repealing language regarding job retention; 3) modifying language requiring that funds be reserved only for projects in eligible industries by merely giving priority to such industries (company headquarters, air courier services, information technology and services, manufacturing, warehousing, and wholesale trade); and 4) making conforming changes.

Section: 15.19

Title: **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM MODIFICATIONS**

Summary Amends G.S. 143B-437.52 to modify the Job Development Investment Grant (JDIG) program by: 1) requiring best efforts on Commerce's part to achieve the average of the range of percentage of withholding allowed in calculation of minimum and maximum grant; 2) requiring information sharing with locals within 30 days of submission of a JDIG application, if locals agree to confidentiality imposed by Commerce. Information to be shared includes estimated amount of grant, economic impact data submitted with application or prepared by Commerce, and any economic impact estimated by Commerce to result from the project; and 3) modifying the liability cap to be \$22.5 million for the FY 2013-15 biennium and \$7.5 million for July 1, 2015 to December 31, 2015.

Section: 15.20

Title: **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM APPLICATION FEE INCREASE**

Summary Amends G.S. 143B-437.55(b) to increase the JDIG application fee from \$5,000 to \$10,000.

Section: 15.21

Title: **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM REPORTING FEE INCREASE**

Summary Amends G.S. 143B-437.58(a) to increase the JDIG reporting fee to be the greater of \$2,500 or .03 percent of the grant amount (less the portion that will go to the Utility Account).

Section: 15.22

Title: **TRANSFER STATE ENERGY OFFICE FROM COMMERCE TO DENR**

Summary Transfers the State Energy Office from Commerce to the Department of Environment and Natural Resources as a Type I transfer. This section also makes conforming statutory changes to the Energy Loan Fund, Guaranteed Energy Savings Contracts, Energy Assistance for Low-Income Persons, the Energy Policy Council, Purchases and Contracts, and Energy Policy and Life-Cycle Cost Analysis.



Section: 15.23

Title: **STAFF FOR RURAL ECONOMIC DEVELOPMENT DIVISION AND WATER INFRASTRUCTURE DIVISION**

Summary Requires Commerce and the Department of Environment and Natural Resources (DENR) to collaborate in order to equitably distribute current Commerce Division of Community Assistance employees responsible for Community Development Block Grant funds to DENR's new Division of Water Infrastructure and Commerce's new Rural Economic Development Division.

Section: 15.24

Title: **STATE MATCH FOR NATIONAL NETWORK FOR MANUFACTURING INNOVATION GRANT PROGRAM**

Summary Permits Commerce, North Carolina State University, and the University of North Carolina Charlotte to use available funds to meet State match requirements if federal funds become available for the National Network for Manufacturing Innovation program.

## **2013 Session: HB 112**

**Department:** Commerce

Section: 5.1

Title: **TECHNICAL CHANGE: NER BLOCK GRANTS/2014 AND 2015 PROGRAM YEARS**

Summary Amends S.L. 2013-360, Sec. 15.14(f), Appropriations Act of 2013, by removing the Division of Community Assistance from the reporting requirement and instead directing the responsibility to the Department of Commerce.

Section: 5.2

Title: **TECHNICAL CHANGE: NER BLOCK GRANTS/2013 PROGRAM YEAR**

Summary Amends S.L. 2013-360, Sec.15.15, Appropriations Act of 2013, by removing the Division of Community Assistance from the reporting requirement and instead directing the responsibility to the Department of Commerce.

Section: 5.3

Title: **TECHNICAL CHANGE: CDBG FUNDS FOR INFRASTRUCTURE CATEGORY TRANSFERRED FROM DEPARTMENT OF COMMERCE TO DENR**

Summary Amends S.L. 2013-360, Appropriations Act of 2013, by adding a new Section 15.15A, directing Commerce to transfer to the Department of Environment and Natural Resources federal block grant funds allocated to the Infrastructure category for Program Years 2013, 2014, and 2015.

Section: 5.5

Title: **TECHNICAL CHANGE: WORKFORCE INVESTMENT ACT FUNDS/TRANSFER OF FUNDS TO DEPARTMENT OF LABOR**

Summary Repeals S.L. 2013-360, Section 15.5, Appropriations Act of 2013, due to S.L. 2013-330, Local Workforce Dev./Dislocated Workers, which transfers the Apprenticeship Program to Commerce, effective January 1, 2014.

Section: 5.9

Title: **TECHNICAL CHANGE: GOLDEN LEAF FOUNDATION BOARD OF DIRECTORS/GOVERNOR'S APPOINTMENTS**

Summary Amends S.L. 2013-360, Sec. 15.10A, Appropriations Act of 2013, to direct the Attorney General to take all necessary actions to implement legislative changes designating the Chair, or the Chair's designee, of the newly established Rural Infrastructure Authority as one of the Governor's appointments to the Golden LEAF Foundation Board of Directors.

Section: 5.10

Title: **TECHNICAL CHANGE: LEAD/DEVELOP STANDARDIZED PERFORMANCE METRIC FOR NONPROFITS**

Summary Amends S.L. 2013-360, Sec.15.12, Appropriations Act of 2013, to clarify that the Labor and Economic Analysis Division develop standardized performance metrics only for "economic development" nonprofits receiving funding through Commerce.

Section: 5.13

Title: **TECHNICAL CHANGE: RURAL ECONOMIC DEVELOPMENT DIVISION CREATED**

Summary Amends S.L. 2013-360, Sec.15.10, Appropriations Act of 2013, by giving priority to Tier 1 and Tier 2 counties for awards made under the new infrastructure and building reuse program.

Section: 5.15

Title: **BUDGET CHANGE: UNEMPLOYMENT INSURANCE FUND**

Summary Amends S.L. 2013-360, Sec.15.3, Appropriations Act of 2013, as follows: Subsection (a) directs Unemployment Insurance (UI) funds to the UI Trust Fund and adds a Special Fund Code reference to the Training and Employment Account. Subsection (b) clarifies that funds appropriated to the UI Reserve shall be used for employees of all State agencies, departments, and institutions, The University of North Carolina, as well as State-funded local public school and community college employees. This section also: 1) charges the Office of State Budget and Management with managing the UI Reserve to ensure that adequate funds are available to comply with S.L. 2013-2, UI Fund Solvency & Program Changes, and 2) directs the Governor to use FY 2013-14 appropriated funds to ensure compliance with S.L. 2013-2.

Section: 5.16

Title: **BUDGET CHANGE: NER BLOCK GRANTS/2013, 2014 AND 2015 PROGRAM YEARS**

Summary Amends S.L. 2013-360, Sec. 15.14 and 15.15, Appropriations Act of 2013, as follows: Subsections (a), (b), (d) and (e) modify the Community Development Block Grant fund allocations by increasing the Economic Development category by \$5 million and decreasing the Infrastructure category by \$5 million. Subsections (c) and (f) define eligible Infrastructure activities as critical public water and wastewater projects, limited only by applicable federal regulations.

## Commerce - State Aid

<b>GENERAL FUND</b>
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<b>Recommended Continuation Budget</b>	<b>FY 13-14</b>		<b>FY 14-15</b>	
	<b>\$59,714,814</b>		<b>\$61,954,814</b>	
<b>Legislative Changes</b>				
<b>(1) State-Aid</b>				
<b>79 Biofuels Center</b>	(\$2,063,035)	R	(\$4,303,035)	R
Eliminates General Fund support for operational expenditures.				
<b>80 Community Development Initiative</b>	(\$3,806,180)	R	(\$3,806,180)	R
Eliminates General Fund support for operational expenditures.				
<b>81 Council of Governments (COGs)</b>	(\$328,105)	R	(\$328,105)	R
Eliminates General Fund support for operational expenditures.				
<b>82 Grassroots Science Museums</b>	(\$425,261)	R	(\$425,261)	R
Reduces General Fund support for operational expenditures by 15 percent. (S.L. 2013-360, Sec. 15.25A)				
<b>83 Institute of Minority Economic Development</b>	(\$2,046,080)	R	(\$2,046,080)	R
Eliminates General Fund support for operational expenditures.				
<b>84 Johnson and Wales University</b>	\$1,635,000	NR		
Provides nonrecurring funding to fulfill funding commitment to Johnson and Wales University. (S.L. 2013-360, Sec. 15.25)				
<b>85 Land Loss Prevention Project</b>	(\$575,050)	R	(\$575,050)	R
Eliminates General Fund support for operational expenditures.				
<b>86 NC Agriculture Foundation (FFA Foundation)</b>	(\$35,855)	R	(\$35,855)	R
Eliminates General Fund support for operational expenditures from Commerce State-Aid. Provides additional recurring funds through the Department of Agriculture and Consumer Services.				
<b>87 NC Association of Community Development Corporations (CDCs)</b>	(\$797,102)	R	(\$797,102)	R
Eliminates General Fund support for operational expenditures.				

<p><b>88 NC Indian Economic Development Initiative</b> Eliminates General Fund support for operational expenditures.</p>	<p>(\$86,004) R</p>	<p>(\$86,004) R</p>
<p><b>89 Partnership for the Sounds</b> Eliminates General Fund support for operational expenditures.</p>	<p>(\$391,408) R</p>	<p>(\$391,408) R</p>
<p><b>90 Regional Economic Development Commissions</b> Reduces General Fund support of operational expenditures in FY 2013-14. Eliminates General Fund support of operational expenditures in FY 2014-15. Out of funds appropriated to the Charlotte Regional Partnership, \$24,000 nonrecurring shall instead be allocated to Anson County. Out of funds appropriated to the Piedmont Triad Partnership, \$19,000 nonrecurring shall instead be allocated to Montgomery County, and \$18,000 nonrecurring shall instead be allocated to Surry County. Out of funds appropriated to the Western NC Regional Economic Development Commission, \$18,000 nonrecurring shall instead be allocated to Burke County. (S.L. 2013-360, Sec. 15.25, 15.28, 15.28A, and 15.28B)  (S.L. 2013-363, Sec. 5.7, Modifications/2013 Appropriations Act, narrows statutory repeal to target only Western North Carolina Regional Economic Development Commission, North Carolina's Northeast Commission, Southeastern North Carolina Regional Economic Development Commission, and North Carolina's Eastern Region.)</p>	<p>(\$731,079) R</p>	<p>(\$2,151,517) R</p>
<p><b>91 Research Triangle Institute</b> Provides nonrecurring funding to the Research Triangle Institute. (S.L. 2013-360, Sec. 15.25)</p>	<p>\$500,000 NR</p>	
<p><b>92 The Support Center</b> Eliminates recurring funding for operational expenditures. Provides nonrecurring funding in FY 2013-14. (S.L. 2013-360, Sec. 15.25)</p>	<p>(\$2,543,021) R \$2,543,021 NR</p>	<p>(\$2,543,021) R</p>
<p><b>93 Wake Forest Institute of Regenerative Medicine</b> Eliminates General Fund support for operational expenditures. Funding is provided to the Institute through the UNC budget.</p>	<p>(\$7,649,897) R</p>	<p>(\$7,649,897) R</p>
<p><b>94 Restore Negative Management Flexibility Reserve</b> Provides funding to fill a budget gap created by making a FY 2012-13 nonrecurring reduction permanent in the FY 2013-14 continuation budget.</p>	<p>\$28,000 R</p>	<p>\$28,000 R</p>

**(2) Biotechnology Center**

**95 Biotechnology Center**

Reduces recurring funding for the Center by 50 percent or \$8.6 million. There is provided \$4 million in additional nonrecurring funding for FY 2013-14 and FY 2014-15. (S.L. 2013-360, Sec. 15.25, 15.30, and 15.32)

(\$8,600,338)	R	(\$8,600,338)	R
\$4,000,000	NR	\$4,000,000	NR

**(3) Rural Economic Development Center**

**96 Rural Economic Development Center**

Eliminates General Fund support for operational expenditures. (S.L. 2013-360, Sec. 15.26)

(\$16,619,194)	R	(\$16,619,194)	R
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**Total Legislative Changes**

<b>(\$46,669,609)</b>	R	<b>(\$50,330,047)</b>	R
<b>\$8,678,021</b>	NR	<b>\$4,000,000</b>	NR

**Total Position Changes**

**Revised Budget**

<b>\$21,723,226</b>		<b>\$15,624,767</b>	
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# Special Provisions

## 2013 Session: SB 402

**Department:** Commerce - State Aid

Section: 15.25

Title: **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

Summary Requires Ag in the Classroom, High Point Market Authority, Johnson & Wales University, Regional Economic Development Commissions/ Partnerships, RTI International, and The Support Center to submit an annual report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1 of each year. This section requires, within 30 days of issuance, each nonprofit to provide its annual audited financial statement to the Fiscal Research Division.

Section: 15.25A

Title: **GRASSROOTS SCIENCE PROGRAM**

Summary Allocates funding for the 28 science museums funded through the Grassroots Science Museums Collaborative. This section implements a new funding formula that provides a base appropriation of \$58,000 per museum, plus a pro-rata distribution of remaining appropriated funds based on prior year actual expenditures. This section also requires the Grassroots Science Museums Collaborative to report annually on program activities to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1 of each year.

Section: 15.26

Title: **RURAL CENTER/REPEAL STATUTORY REFERENCES**

Summary Amends G.S. 106-744 to replace the Executive Director (or President) of the Rural Economic Development Center with the Chair of the newly established Rural Infrastructure Authority (S.L. 2013-360, Sec. 15.10) or the Chair's designee, and directs the Revisor of Statutes to make other conforming changes.

Section: 15.28

Title: **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STATUTES CREATING COMMISSIONS REPEALED EFFECTIVE JUNE 30, 2014**

Summary Repeals Articles 2 and 4 of Chapter 158 creating the four State-created Economic Development Commissions, effective June 30, 2014, including: Southeastern, Northeast, Western, and Eastern. This section also directs the Eastern Region to liquidate and distribute assets to member counties as outlined in the originating statute, S.L. 1993-544, Global Transpark Development Zone.

(S.L. 2013-363, Sec. 5.7, Modifications/2013 Appropriations Act, narrows the statutory repeal to target only State-created commissions.)

Section: 15.28A

Title: **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/FUNDS FOR 2013-2014 FISCAL YEAR**

Summary Allocates funds to North Carolina's seven Economic Development Regional Commission Partnerships.

Section: 15.28B

Title: **SOUTHEASTERN NORTH CAROLINA REGIONAL ECONOMIC DEVELOPMENT COMMISSION/MEMBER COUNTIES AMENDED**

Summary Adds Anson and Montgomery Counties to the membership of the Southeastern Regional Economic Development Commission.

Section: 15.29

Title: **HIGH POINT MARKET AUTHORITY/HOUSE COMMERCE ECONOMIC DEVELOPER POSITION**

Summary Directs the High Point Market Authority to provide suitable workspace for one Department of Commerce economic developer position in order to receive State funds.

Section: 15.30

Title: **NC BIOTECHNOLOGY CENTER**

Summary Allocates funding provided to the Biotechnology Center across three categories: 1) Job Creation, 2) Science and Commercialization, and 3) Center Operations. Also requires the Center to submit annual reports to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1 of each year.

Section: 15.32

Title: **NORTH CAROLINA BIOTECHNOLOGY CENTER/EXAMINE CENTER OPERATIONS**

Summary Directs the Biotechnology Center to review a variety of Center operations, existing staffing levels, perform cost-benefit analyses on programs, and make necessary changes to achieve cost-savings. The Center is required to report its findings to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by March 1, 2014.

## **2013 Session: HB 112**

**Department:** Commerce - State Aid

Section: 5.7

Title: **TECHNICAL CHANGE: REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STATUTES CREATING COMMISSIONS REPEALED EFFECTIVE JUNE 30, 2014**

Summary Amends S.L. 2013-360, Sec.15.28, Appropriations Act of 2013, narrowing the statutory repeal to target only State-created commissions.

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**Justice  
&  
Public Safety  
Section I**

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# Public Safety

GENERAL FUND
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	FY 13-14		FY 14-15	
<b>Recommended Continuation Budget</b>	<b>\$1,722,061,784</b>		<b>\$1,732,859,184</b>	
<b>Legislative Changes</b>				
<b>A. Department-wide</b>				
<b>1 Consolidation Efficiencies</b>	(\$5,000,000)	R	(\$5,000,000)	R
Allows the Department to identify additional savings resulting from the consolidation of the Departments of Crime Control and Public Safety, Juvenile Justice, and Adult Correction that occurred January 1, 2012.				
<b>2 Vacant Positions</b>	(\$952,582)	R	(\$952,582)	R
Eliminates 15 vacant positions. No district level State Highway Patrol Troopers, custody and security officers or probation and parole positions in the Division of Adult Correction, or court counselors in the Division of Juvenile Justice may be eliminated as a result of this reduction.				
	-15.00		-15.00	
<b>B. Administration</b>				
<b>3 Secretary's Office Positions</b>	(\$292,384)	R	(\$292,384)	R
Eliminates two vacant management positions in the Secretary's Office.				
	-2.00		-2.00	
<b>4 Operating Budget</b>	(\$579,244)	R	(\$579,244)	R
Reduces various line items from the operating budget for the Division of Administration.				
<b>5 Enterprise Resource Planning System</b>	\$9,000,000	NR		
Provides \$9 million nonrecurring for the purchase and implementation of an enterprise resource planning (ERP) system. The Department is authorized to expend up to \$10 million for the system. The ERP is subject to the approval of the State Chief Information Officer and shall be consistent with a statewide ERP initiative. These funds shall be placed in a separate information technology fund within DPS.				
<b>C. Law Enforcement</b>				
<b>6 ALE Operating Reduction</b>	(\$1,750,000)	R	(\$1,750,000)	R
Reduces the operating budget for the Alcohol Law Enforcement (ALE) section. The Department may eliminate ALE positions to meet this reduction. (S.L. 2013-360, Sec. 16B.7)				

**FY 13-14**

**FY 14-15**

**7 Butner Public Safety**

(\$1,751,118) R (\$1,751,118) R

Eliminates the State grant to the Butner Public Safety Authority. The Authority can receive State funds through the State Fire Protection Grant Fund. \$100,000 is appropriated in the General Government Section of the budget to expand the program to Butner without reducing allotments to other fire departments. (S.L. 2013-360, Sec. 16B.4)

(See the General Government section of the Committee Report on page J-6, item 10.)

**8 SCP Positions**

\$336,122 R \$336,122 R

Provides funding for four telecommunicator positions and four public safety officer positions in the State Capitol Police. (S.L. 2013-360, Sec. 16B.6)

\$45,751 NR  
8.00 8.00

**9 SHP Vacant Trooper Positions**

\$2,505,713 R \$2,505,713 R

Budgets all vacant trooper positions (including vacant Senior Trooper and vacant Master Trooper positions) at the starting pay for troopers (\$35,700 plus benefits). Currently, 69 vacant trooper positions cannot be filled because they are budgeted at \$0.10 as a result of reductions taken in FY 2011-12. This appropriation restores that reduction, increasing the total number of troopers statewide.

**10 SHP Fuel**

\$3,677,292 R \$3,677,292 R

Provides funding to increase the budget for State Highway Patrol (SHP) fuel to actual expenditure levels.

**11 SHP Aircards**

\$626,000 R \$626,000 R

Provides funds to support air card connectivity for mobile data computers in trooper vehicles. The air card allows troopers to have mobile access to multiple criminal, court, and DMV databases.

**12 SHP Mobile Computers**

\$1,050,640 NR

Provides funds to replace outdated or failing mobile data computer equipment, including computers, printers, and docking stations, for State Highway Patrol troopers' vehicles.

**13 SHP Communication Center Consolidation**

(\$1,141,480) R (\$1,662,707) R

Consolidates communication centers from three troops. Transfers eighteen telecommunicator positions to other troops and provides funding in the first year for equipment required to expand communication operations in two of the remaining troops. Consolidation of communication centers should be completed no later than October 1, 2013.

-30.00 -30.00

**14 SHP Aviation**

(\$901,900) R (\$901,900) R

Consolidates the Highway Patrol Aviation section from four hangars to two.

-9.00 -9.00

**FY 13-14**

**FY 14-15**

**15 SHP Consolidation of Technology Services Functions**

Eliminates six civilian information technology related positions in the Highway Patrol. Consolidation of all law enforcement information technology functions in DPS should result in additional reductions in the future.

(\$506,517) R (\$506,517) R  
-6.00 -6.00

**16 SHP Administration**

Eliminates various positions in State Highway Patrol administration. Positions that are eliminated should all be administrative and/or management positions. No district level positions should be eliminated as a result of this reduction.

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

**17 SHP Accreditation Unit**

Eliminates three sworn law enforcement and two civilian positions responsible for overseeing the State Highway Patrol's accreditation process.

(\$402,978) R (\$402,978) R  
-5.00 -5.00

Position	Title	Total Position Cost
60084955	Quality Accreditation Unit Mgr.	\$ 104,417
60086601	Policy & Procedure Manager	\$ 87,923
60085343	Accreditation Manager	\$ 87,923
60086920	Civilian Accreditation Mgr.	\$ 74,689
60084612	Tech Support Technician	\$ 48,026

**18 SHP Support Positions**

Eliminates nine vacant civilian positions that provide support services to various units within the Highway Patrol.

(\$772,853) R (\$772,853) R  
-9.00 -9.00

**19 SHP Traffic Safety Information Officers**

Eliminates the Traffic Safety Information Officer position in each Highway Patrol Troop.

(\$527,288) R (\$527,288) R  
-8.00 -8.00

**20 VIPER Operations and Maintenance**

Provides additional funding for the operation and maintenance of the Voice Interoperability Plan for Emergency Responders (VIPER) system.

\$2,825,471 R \$2,825,471 R  
\$580,000 NR  
13.00 13.00

**21 SHP VIPER Technology Upgrade**

Provides \$25 million nonrecurring in FY 2013-14 to upgrade the VIPER system to P-25 technology.

\$25,000,000 NR

**22 SHP VIPER Tower Construction**

Provides \$7 million recurring in FY 2014-15 to complete construction of 29 State-funded towers for the VIPER system. Tower construction should be complete in FY 2016-17, at which time this appropriation will be reduced to \$2 million recurring to fully fund operation and maintenance of the completed VIPER system. (S.L. 2013-360, Sec. 16B.5)

\$7,000,000 R

**D. National Guard**

**23 Armories Upgrade**

\$850,000 R \$850,000 R

Provides funds to address maintenance needs at the State's 93 National Guard Readiness Centers. Additional funds are appropriated in the Capital Section for repair and renovation of the armories.

(Funds are also appropriated for National Guard armories in the Capital section of the Committee Report. See page M-1, item 6, S.L. 2013-360, Sec. 36.2 and Sec. 36.11.)

**24 Tarheel ChalleNGe**

\$767,719 R \$767,719 R

Transfers funding from the Department of Public Instruction (DPI) for Tarheel ChalleNGe, a National Guard program for at-risk youth, back to the DPS budget. These funds were transferred to DPI in 2009, but federal matching funds are currently receipted to DPS. This transfer consolidates all of the funding for Tarheel ChalleNGe in one place. A corresponding reduction can be found in the Education Section of the budget.

(See the Education section of the Committee Report on page F-7, Item 28.)

**E. Adult Correction - General**

**25 Budget Reserve Restoration**

Continues the nonrecurring budget reserve reduction from FY 2011-12 that reflected a lower prison population. (\$11,957,000) NR

**F. Adult Correction - Prisons**

**26 Education Supplies**

(\$36,000) R (\$36,000) R

Reduces funding for prison substance abuse supplies to reflect actual expenditures, leaving an annual budget of \$100,557.

**27 Inmate Health Care**

(\$9,000,000) R (\$9,000,000) R

Reduces Inmate Health Care funding to account for savings from completion of the new hospitals at Central Prison and NC Correctional Institution for Women, increased Medicaid reimbursements for treatment of qualified inmates, and the payment cap on billed charges to hospital and other providers.

**28 Morrison CI Electronic Intrusion**

(\$24,202) R (\$404,911) R

Eliminates tower positions effective April 1, 2014 at Morrison Correctional Institution through the use of an electronic intrusion system that provides increased security.

-12.00 -12.00

	<b>FY 13-14</b>		<b>FY 14-15</b>	
<p><b>29 Duplin Correctional Center</b>                      Closes Duplin Correctional Center, a 328-bed minimum custody facility, effective August 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population. (S.L. 2013-360, Sec. 16A.3)</p>	(\$3,759,729)	R	(\$4,101,522)	R
	-80.00		-80.00	
<p><b>30 Robeson Correctional Center</b>                      Closes Robeson Correctional Center, a 276-bed minimum custody facility, effective August 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population. (S.L. 2013-360, Sec. 16A.3)</p>	(\$3,625,960)	R	(\$3,955,592)	R
	-80.00		-80.00	
<p><b>31 Bladen Correctional Center</b>                      Closes Bladen Correctional Center, a 172-bed minimum custody facility, effective October 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population. (S.L. 2013-360, Sec. 16A.3)</p>	(\$1,969,779)	R	(\$2,499,168)	R
	-52.00		-52.00	
<p><b>32 Wayne Correctional Center</b>                      Closes Wayne Correctional Center, a 428-bed medium custody facility, effective October 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population. (S.L. 2013-360, Sec. 16A.3)</p>	(\$5,425,999)	R	(\$7,234,666)	R
	-150.00		-150.00	
<p><b>33 Western Youth Institution</b>                      Closes Western Youth Institution, a 708-bed mixed custody facility, effective January 1, 2014. The closure is part of a reduction in prison capacity to reflect the declining prison population. (S.L. 2013-360, Sec. 16A.3)</p>	(\$7,953,209)	R	(\$16,312,132)	R
	-323.00		-323.00	
<p><b>34 Johnston Correctional Institution</b>                      Converts Johnston Correctional Institution from a medium custody to a minimum custody prison, effective January 1, 2014.</p>	(\$1,300,000)	R	(\$2,600,000)	R
	-62.00		-62.00	
<p>(S.L. 2013-363, Sec. 6.6, Modifications/2013 Appropriations Act, amends this item to change the number of positions eliminated from 50 to 62.)</p>				
<p><b>35 Statewide Misdemeanant Confinement Fund Admin</b>                      Reallocates the Statewide Misdemeanant Confinement Fund administration allotment to reduce the NC Sheriffs' Association percentage from 10% to 5%. DPS will continue to receive 1% for administration. Transfers funds from the Statewide Misdemeanant Confinement Fund (Special Fund code 24500-2225) to DPS (General Fund budget code 14550) on a nonrecurring basis.</p>	(\$750,000)	NR	(\$750,000)	NR
<p>Since the program's inception in August 2011, \$39.5 million has been collected in the Fund. The Sheriff's Association has received \$3.9 million and DPS has received \$394,881 to administer the program. (S.L. 2013-360, Sec. 16C.6)</p>				

**36 Statewide Misdemeanant Confinement Fund**

Transfers funds from the Statewide Misdemeanant Confinement Fund (Special Fund code 24500-2225) to DPS (General Fund budget code 14550) for the Division of Adult Correction. As of March 31, 2013, this fund has a balance of \$20 million.

(\$7,700,000) NR

**37 Tabor Correctional Institution Operating Reserve**

Reduces the operating reserve for the new minimum-custody dorm at Tabor Correctional Institution to reflect a delay in completion of construction.

(\$529,424) NR

**G. Adult Correction - Community Corrections**

**38 TECS Reduction**

Reduces the appropriation for Treatment for Effective Community Supervision (TECS) to adjust for delayed community programming start dates in some counties. The total funding for this program is \$12.4 million after this non-recurring reduction. (S.L. 2013-360, Section 16C.12)

(\$1,500,000) NR

**39 Substance Abuse Treatment for High-Risk Offenders**

Provides additional funds to the Broaden Access to Community Treatment program. These funds shall be restricted to substance abuse treatment services for offenders assessed as moderate to high-risk for recidivism and high need for substance abuse services. Contracts awarded using these funds shall be given to evidence-based programs that demonstrate support from local stakeholders, including chief district court judges, senior resident superior court judges, probation and parole officers, district attorneys' offices, and county governments. (S.L. 2013-360, Sec. 16C.14)

\$2,000,000 NR \$2,000,000 NR

**40 Parole Commission**

Increases funding for the Parole Commission in order to adequately manage the expected caseload of 12,500 to 15,000 offender records that will require review following implementation of the Justice Reinvestment Act. Total annual funding for this program will be \$2.3 million.

\$374,497 R \$374,497 R  
 \$49,893 NR  
 8.00 8.00

**41 Probation and Parole Positions**

Funds 175 new Probation Officer positions to adequately manage the increased caseloads created by the requirements of the Justice Reinvestment Act. In addition, provides funding for the reallocation of surveillance officers to probation officer positions.

\$5,761,119 R \$12,120,219 R  
 \$465,150 NR \$660,200 NR  
 75.00 175.00

**42 Electronic Monitoring Equipment**

Provides funds for the lease of electronic monitoring equipment for offenders who require it as a condition of their probation or status as a sex offender. (S.L. 2013-360, Sec.16C.16)

\$1,800,000 R \$1,800,000 R



**H. Juvenile Justice**

**43 Executive Management Staff**

Eliminates three full-time executive positions in the Division of Juvenile Justice. These positions are currently filled.

(\$363,183)	R	(\$363,183)	R
-3.00		-3.00	

Position	Title	Total Position Cost
60000972	Deputy Comm Courts and Programs	\$139,635
60001044	Deputy Comm Facilities	\$129,992
60000891	Director of Detention Services	\$ 93,556

**44 YDC Operating Reduction**

Reduces the total operating budget for Youth Development Centers.

(\$100,000)	R	(\$100,000)	R
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**45 Lenoir Youth Development Center**

Closes Lenoir Youth Development Center (YDC) and eliminates 66 full-time equivalent (FTE) positions. This facility shall be closed by October 1, 2013. All positions at this facility, including receipt-supported positions, shall be eliminated. (S.L. 2013-360, Sec.16A.3)

(\$2,584,615)	R	(\$3,446,154)	R
-66.00		-66.00	

**46 Richmond Detention Center**

Closes Richmond Detention Center and eliminates 4.4 full-time equivalent (FTE) positions. All positions at this facility, including receipt-supported positions, shall be eliminated. (S.L. 2013-360, Sec.16A.3)

(\$1,268,240)	R	(\$1,268,240)	R
-4.40		-4.40	

**47 Buncombe Detention Center**

Closes Buncombe Detention Center and eliminates 19.3 full-time equivalent (FTE) positions. All positions at this facility, including receipt-supported positions, shall be eliminated. (S.L. 2013-360, Sec.16A.3)

(\$951,844)	R	(\$951,844)	R
-19.30		-19.30	

**48 New Western Multipurpose Group Home**

Appropriates funds for a new multipurpose group home in the Western district to provide youth services that may be needed following the closure of Buncombe Detention Center.

\$500,000	R	\$500,000	R
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**49 Juvenile Justice Community Programs**

Provides funding to the Division of Juvenile Justice for the expansion of contracted services for adjudicated juveniles. A portion of the appropriated funds may be set aside for a facility to provide educational and vocational programs for girls that will be similar to the residential boys facility located in Craven County. (S.L. 2013-360, Sec.16D.6)

\$1,000,000	R	\$1,000,000	R
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**50 Safer Schools Initiative**

Provides funding for the Center for Safer Schools, which will provide training and technical support to educators, law enforcement agencies, and parents statewide.

\$311,572	R	\$311,572	R
\$5,200	NR		
4.00		4.00	

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<b>Total Legislative Changes</b>	<b>(\$32,305,599)</b>	<b>R</b>	<b>(\$33,378,378)</b>	<b>R</b>
	<b>\$27,137,210</b>	<b>NR</b>	<b>(\$9,466,800)</b>	<b>NR</b>
<b>Total Position Changes</b>	<b>-827.70</b>		<b>-727.70</b>	
<b>Revised Budget</b>	<b>\$1,716,893,395</b>		<b>\$1,690,014,006</b>	

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DPS Special Fund (Statewide Misdemeanant Conf.)

Budget Code: 24550

	FY 2013-14		FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$20,085,259</b>		<b>\$5,635,259</b>
<b>Recommended Budget</b>			
Requirements	\$0		\$0
Receipts	\$0		\$0
Positions	0.00		0.00

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**Legislative Changes**

**Requirements:**

<b>Statewide Misdemeanant Confinement Fund</b>	\$0	R	\$0	R
Transfers funds to the Department of Public Safety (General Fund budget code 14550) for the Division of Adult Correction.	\$7,700,000	NR	\$0	NR
	0.00		0.00	
<b>Sheriffs' Education and Training Standards</b>	\$1,000,000	R	\$1,000,000	R
Transfers \$1 million recurring to the General Fund to support the Sheriffs' Education and Training Standards Commission. (S.L. 2013-360, Sec. 2.2(e))	\$0	NR	\$0	NR
	0.00		0.00	
<b>Continuation Budget Correction</b>	\$0	R	\$0	R
Corrects a nonrecurring transfer to the Division of Adult Correction for the Treatment of Effective Community Supervision that was inadvertently omitted from the Governor's Continuation Budget.	\$5,000,000	NR	\$0	NR
	0.00		0.00	
<b>Statewide Misdemeanant Confinement Fund Admin</b>	\$0	R		R
Transfers funds from the Statewide Misdemeanant Confinement Fund (Special Fund code 24500-2225) to the Department of Public Safety (General Fund budget code 14550) on a nonrecurring basis. (S.L. 2013-360, Sec. 16C.6)	\$750,000	NR	\$750,000	NR
	0.00		0.00	
<b>Subtotal Legislative Changes</b>	<b>\$1,000,000</b>	R	<b>\$1,000,000</b>	R
	<b>\$13,450,000</b>	NR	<b>\$750,000</b>	NR
	0.00		0.00	

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
<b>Receipts:</b>		
<b>Statewide Misdemeanant Confinement Fund</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>
<hr/>		
<b>Revised Total Requirements</b>	<b>\$14,450,000</b>	<b>\$1,750,000</b>
<b>Revised Total Receipts</b>	<b>\$0</b>	<b>\$0</b>
<b>Change in Fund Balance</b>	<b>(\$14,450,000)</b>	<b>(\$1,750,000)</b>
<b>Total Positions</b>	<b>0.00</b>	<b>0.00</b>
<hr/>		
<b>Unappropriated Balance Remaining</b>	<b>\$5,635,259</b>	<b>\$3,885,259</b>

# Special Provisions

## 2013 Session: HB 112

**Department:** Public Safety

Section: 6.5

Title: **TECHNICAL CHANGE: PAROLE ELIGIBILITY/MEDICAL RELEASE PROGRAM REPORT**

Summary Amends S.L. 2013-360, Sec. 16C.11, Appropriations Act of 2013, to correct a reference to a General Statute.

Section: 6.6

Title: **TECHNICAL CHANGE: JOHNSTON CORRECTIONAL INSTITUTION POSITIONS**

Summary Corrects the number of positions eliminated at Johnston Correctional Institution as part of the conversion from a medium custody prison to a minimum custody prison. The Committee Report originally listed 50 positions; the number should be 62.

Section: 6.7

Title: **TECHNICAL CHANGE: ELECTRONIC MONITORING FEES**

Summary Amends S.L. 2013-360, Sec. 16C.16, Appropriations Act of 2013, to specify that electronic monitoring fees will be assessed on all individuals subject to electronic monitoring, including those who are under post-release supervision.

## 2013 Session: SB 402

**Department:** Public Safety

Section: 16A.1

Title: **GRANT REPORTING AND MATCHING FUNDS**

Summary Directs all Justice and Public Safety (JPS) agencies to report by May 1 of each year to the Joint Legislative Commission on Governmental Operations and the Chairs of the House and Senate Appropriations Subcommittees on JPS regarding federal grant funds received or preapproved for receipt.

Subsection (b) of the provision authorizes the Department of Public Safety (DPS) to use up to \$1.2 million each year of the biennium from funds available to provide the State match needed in order to receive grant funds. The Department is required to report to the Chairs of the House and Senate Appropriations Subcommittees on JPS and to the Joint Legislative Commission on Governmental Operations before using funds for this purpose.

Section: 16A.3

Title: **USE OF CLOSED FACILITIES**

Summary Sets out guidelines for handling the disposition of property and facilities after a prison facility, youth detention center, or youth development center is closed. Prior to disposition of the property and buildings, DPS shall consult with the county or municipality in which the unit is located, with the elected State and local officials, and with State and federal agencies about the possibility of converting that unit to other use. DPS must give priority to facility uses that have a criminal justice purpose.

Section: 16A.4

Title: **LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS**

Summary Allows the Secretary of DPS, subject to the approval of the Office of State Budget and Management (OSBM), to reclassify or eliminate existing administrative positions as needed for the efficient operation of the Department. The Secretary must report on any position reclassification resulting from this section to the Chairs of the House and Senate Appropriations Subcommittees on JPS and to the Fiscal Research Division within 30 days of the reclassification.

Section: 16A.5

Title: **REPORTS ON DEPARTMENT OF PUBLIC SAFETY TRAINING**

Summary Requires the Department to report to the Chairs of the Joint Legislative Oversight Committee on JPS regarding its training facilities and programs. Three reports are required:

1. Current training practices and facilities, and consolidation efforts by October 1, 2013;
2. Samarkand training facility plan and estimated savings from consolidating training activities at Samarkand by February 1, 2014; and,
3. Feasibility and costs associated with relocating the Highway Patrol training facility to the Samarkand facility by March 1, 2014.

(Funds are appropriated in the Capital Section of the Committee Report for the Samarkand Training Facility. See page M-1, item 5, and S.L. 2013-360, Sec. 36.2.)

Section: 16B.1

Title: **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

Summary Requires the Department of Justice and DPS to report to the Joint Legislative Commission on Governmental Operations and the Chairs of the House and Senate Appropriations Subcommittees on JPS regarding the receipt and intended use of federally-forfeited funds or assets.

Section: 16B.4

Title: **ELIMINATE BUTNER PUBLIC SAFETY AUTHORITY**

Summary Abolishes the Butner Public Safety Authority and transfers all assets of that Authority to the Town of Butner.

Section: 16B.5

Title: **VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER) SYSTEM**

Summary Authorizes the expenditure of up to \$5 million in FY 2013-14 and \$10 million in FY 2014-15 for tower construction for the VIPER system. The Department must submit quarterly reports to the Joint Legislative Oversight Committee on JPS on the progress of the system.

Section: 16B.6

Title: **STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS**

Summary Allows the State Capitol Police to contract with State agencies to create receipt-supported positions to provide security services to buildings occupied by those agencies.

Section: 16B.7

Title: **ALCOHOL LAW ENFORCEMENT REPORTS**

Summary Requires the Department to report to the Chairs of the House and Senate Appropriations Subcommittees on JPS by October 1, 2013 regarding the implementation of the reduction to the Alcohol Law Enforcement (ALE) budget. A second report on the mission and organization of ALE is due to the Chairs of the Joint Legislative Oversight Committee on JPS on October 1, 2013.

Section: 16C.1

Title: **LIMIT USE OF OPERATIONAL FUNDS**

Summary Prohibits DPS from establishing new positions for new facilities until 120 days prior to project completion with the exception of critical startup positions. These critical positions may not exceed 20 percent of the total estimated number of positions.

Section: 16C.2

Title: **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

Summary Permits DPS to use funds available to reimburse counties for housing inmates awaiting transfer to prison and requires quarterly reports to the Chairs of the Joint Legislative Oversight Committee on JPS and to the Chairs of the House and Senate Appropriations Subcommittee on JPS regarding the expenditure of funds.

Section: 16C.3

Title: **CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

Summary Allows DPS to continue to contract with the Center for Community Transitions for the purchase of prison beds for minimum custody female inmates. The Center shall report by February 1 of each year to the Chairs of the House and Senate Appropriations Subcommittees on JPS regarding the annual cost per inmate and the average daily population compared to bed capacity at its facility.

Section: 16C.4

Title: **INMATE MEDICAL COSTS**

Summary Directs DPS to reimburse medical providers and facilities the lesser amount of 70 percent of billed charges or two times the then-current Medicaid rate for any given service.

Subsection (b) directs the Department to make every effort to contain inmate medical costs by using its own hospitals. The Department shall also make reasonable efforts to equitably distribute inmates among all hospitals or appropriate health care facilities.

Subsection (c) directs the Department to report quarterly to the Joint Legislative Oversight Committee on JPS and the Chairs of the House and Senate Appropriations Subcommittees on JPS beginning November 1, 2013, and quarterly thereafter regarding hospital services provided to inmates and the status of the Department's efforts to contract with hospitals to provide secure wards in each of the State's five prison regions.

Section: 16C.5

Title: **ANNUAL REPORT ON SAFEKEEPERS**

Summary Directs DPS to report to the Chairs of the House and Senate Appropriations Subcommittees on JPS and the Chairs of the Joint Legislative Oversight Committee on JPS by October 1 of each year regarding county prisoners housed in State prisons to avoid security risks or because of insufficient county facilities pursuant to safekeeping orders under G.S. 162-39(b) .

Section: 16C.6

Title: **STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM**

Summary Changes the administrative allotment distributed from the Statewide Misdemeanant Confinement Fund to the NC Sheriffs' Association. Previously, the NC Sheriffs' Association received ten percent of the funds collected. The revised allotment is limited to five percent of funds collected, not to exceed \$1 million.

Subsection (b) requires the NC Sheriffs' Association to report to the Chairs of the House and Senate Appropriations Subcommittees on JPS, and the Joint Legislative Oversight Committee on JPS by October 1 regarding the Statewide Misdemeanant Confinement Program.

Section: 16C.7

Title: **INMATE CONSTRUCTION PROGRAM**

Summary Allows the State Construction Office to use inmates in the Inmate Construction Program for repair and renovations projects at State-owned facilities, with priority given to DPS projects.

Section: 16C.10

Title: **REPORT ON PROBATION AND PAROLE CASELOADS**

Summary Amends Article 13 of Chapter 143B of the General Statutes to require DPS to report by March 1 of each year to the Chairs of the House and Senate Appropriations Subcommittees on JPS and the Chairs of the Joint Legislative Oversight Committee on JPS regarding probation and parole caseload data.



Section: 16C.11

Title: **PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM**

Summary Directs the Post-Release Supervision and Parole Commission, with assistance from the Sentencing and Policy Advisory Commission and DPS, to analyze the amount of time each inmate who is eligible for parole on or before July 1, 2014 has served compared with offenders sentenced under structured sentencing.

Subsection (c) specifies that the Post-Release Supervision and Parole Commission shall report by April 1, 2014 to the Chairs of the Joint Legislative Oversight Committee on JPS and the Chairs of the House and Senate Appropriations Subcommittees on JPS on the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions.

Subsection (d) codifies the reporting requirements for the mutual agreement parole program and the medical release program. DPS and the Commission are required to report on each of these programs by March 1 of each year to the Chairs of the House and Senate Appropriations Subcommittees on JPS and to the Chairs of the Joint Legislative Oversight Committee on JPS.

Section: 16C.12

Title: **REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION**

Summary Directs the Division of Community Corrections (DCC) in DPS to report by March 1 of each year to the Chairs of the House and Senate Appropriations Subcommittees on JPS and the Chairs of the Joint Legislative Oversight Committee on JPS regarding the use of funds awarded to the Treatment for Effective Community Supervision program.

Section: 16C.13

Title: **JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY VACANT POSITIONS**

Summary Allows DPS to reclassify up to 30 vacant positions as field service specialist or chief probation/parole officer positions in order to meet the demands of the increasing caseloads resulting from the implementation of the Justice Reinvestment Act.

Subsection (b) requires DPS to report to the Chairs of the House and Senate Appropriations Subcommittee on JPS by March 1, 2014 on the status of the new positions created and vacant positions eliminated.

Section: 16C.14

Title: **REPORT ON USE OF BROADEN ACCESS FOR COMMUNITY TREATMENT PROGRAM FUNDS**

Summary Requires DCC in DPS to report to the Chairs of the House and Senate Appropriations Subcommittees on JPS by September 1, 2015 and September 1, 2016 on the use of funds allocated to the Broaden Access for Community Treatment Program.

Section: 16C.15

Title: **REQUIRE THAT ALL INMATES IN THE CUSTODY OF THE DIVISION OF ADULT CORRECTION OF THE DEPARTMENT OF PUBLIC SAFETY BE TESTED FOR HIV INFECTION**

Summary Requires all inmates sentenced to prison and committed to the custody of the Division of Adult Correction in DPS to be tested for HIV. Every inmate who has not previously tested positive for HIV shall also be tested at least once every four years and prior to the inmate's release.

Section: 16C.16

Title: **ELECTRONIC MONITORING FEE**

Summary Requires that any person placed on electronic monitoring pay a fee that reflects the actual cost of electronic monitoring in addition to a one-time setup fee of \$90.

(S.L. 2013-363, Sec. 6.7, Modifications/2013 Appropriations Act, amends this provision to clarify that the fee will be required of individuals on electronic monitoring as a condition of their post-release supervision as well as individuals on probation.)

Section: 16D.1

Title: **ANNUAL EVALUATION OF COMMUNITY PROGRAMS AND MULTIPLE PURPOSE GROUP HOMES**

Summary Codifies the annual reporting requirement on juvenile community programs and multipurpose group homes. G.S. 143B-811 requires DPS to conduct an annual evaluation of community programs and multipurpose group homes and to submit a report reflecting their findings to the Chairs of the House and Senate Appropriations Subcommittees on JPS, and the Chairs of the Joint Legislative Oversight Committee on JPS by March 1 of each year.

Section: 16D.2

Title: **JUVENILE CRIME PREVENTION COUNCIL FUNDS**

Summary Codifies the annual reporting requirement on Juvenile Crime Prevention Council (JCPC) funds. G.S. 143B-852 requires DPS to submit a report each year, on or before October 1, to the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House Appropriations Subcommittees on JPS. This report shall give detailed information about the recipients of grant funds administered by local JCPCs.

Subsection (b) directs that \$121,600 of the funds appropriated for JCPC grants shall be transferred to Project Challenge North Carolina, Inc. each year to be used for the continued support of Project Challenge programs throughout the State.

Section: 16D.3

Title: **YOUTH DEVELOPMENT CENTER ANNUAL REPORT**

Summary Codifies the annual reporting requirement on youth development centers. G.S. 143B-822 requires DPS to report by October 1 of each year to the Chairs of the Senate and House Appropriations Subcommittees on JPS, the Chairs of the Joint Legislative Oversight Committee on JPS, and the Fiscal Research Division, regarding youth development center population, staffing, and capacity in the preceding fiscal year.

Section: 16D.4

Title: **JUVENILE FACILITY MONTHLY COMMITMENT REPORT**

Summary Codifies the reporting requirement on the average daily population of each juvenile detention facility and the monthly summary of the Committed Youth Report. G.S. 143B-822 requires DPS to submit this report each month to the Fiscal Research Division.

Section: 16D.5

Title: **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

Summary Restricts the use of funds appropriated to the Department for community programs to the following programs that provide Level 2 dispositions:

- Statewide residential programs;
- Statewide community programs;
- Regional programs that are collaboratives of two or more JCPCs; or
- JCPC grants for Level 2 dispositions.

Subsection (b) states that under no circumstances may these funds be used for the staffing, operations, maintenance, or any other expenses of youth development centers.

Subsection (c) requires the Department to report on all community program expenditures to the Chairs of the Senate and House Appropriations Subcommittees on JPS and to the Fiscal Research Division by October 1 of each year.

Section: 16D.6

Title: **MULTIPURPOSE GROUP HOME**

Summary Directs DPS to continue to operate a multipurpose group home for youth in Craven County using funds appropriated to DPS for the Division of Juvenile Justice.

Section: 16D.7

Title: **ADMINISTRATION OF JUVENILE JUSTICE DIVISION**

Summary Vests the Secretary of DPS with the powers and duties related to the Division of Juvenile Justice and specifies to whom these powers may be delegated.

Section: 16D.8

Title: **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

Summary Allows DPS to use State funds to match Juvenile Accountability Incentive Block Grants. Requires DPS, OSBM, and the Governor's Crime Commission to report to the Chairs of the Senate and House Appropriations Subcommittees on JPS and the Joint Legislative Commission on Governmental Operations prior to the allocation of federal funds.

Section: 16D.9

Title: **DOBBS YOUTH DEVELOPMENT CENTER KITCHEN REPAIRS**

Summary Directs DPS to complete all repairs necessary to make the kitchen facility at Dobbs Youth Development Center functional by October 1, 2013.

# Justice

GENERAL FUND
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	<b>FY 13-14</b>		<b>FY 14-15</b>
<b>Recommended Continuation Budget</b>	<b>\$77,773,575</b>		<b>\$80,773,575</b>

## Legislative Changes

### A. Department-wide

#### 51 Operating Efficiencies Reduction

(\$1,700,000)	R	(\$1,700,000)	R
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Directs the Department to identify efficiencies in its operation through the elimination of positions, transitioning of expenditures to receipt support, or reductions to operating line items such as travel, purchased services, and supplies. No reductions will be made to the NC State Crime Lab. (S.L. 2013-360, Sec. 17.7)

#### 52 Indirect Cost Receipts

(\$259,310)	R	(\$259,310)	R
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Budgets indirect cost receipts from recurring federal grants that may be allocated to support central administrative functions that include finance, human resources, and logistics. Transfers the following four positions to receipt support:

-4.00		-4.00	
-------	--	-------	--

Position	Title	Total Position Cost
60010148	Business Officer	\$82,281
60010147	HR Recruiter	\$66,644
60010134	Admin. Secretary III	\$42,915
60010466	Admin. Assistant I	\$44,534

### B. Legal Services

#### 53 Tobacco Attorney and Paralegal Positions

\$244,661	R	\$244,661	R
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Transitions one attorney position (60010420) and two paralegal positions (60010422 and 60010421) from receipt support to General Fund support. These positions were previously supported by receipts from Golden L.E.A.F. and the Tobacco Trust Fund. Another receipt supported attorney position that was vacant (60010423) is eliminated.

3.00		3.00	
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### D. NC State Crime Laboratory

#### 54 Toxicology Positions

\$1,500,000	R	\$1,500,000	R
-------------	---	-------------	---

Provides funding for 19 new toxicology positions in the Crime Lab to serve the western part of the State. The Crime Lab is directed to work with the Office of State Personnel to create a new apprentice level analyst position at a pay grade lower than that of Forensic Analyst I for trainee analysts. (S.B. 3, S.B. 497/H.B. 897)

\$111,424	NR		
19.00		19.00	

(Funds are appropriated in the Capital section of the Committee Report for planning for a new Western Crime Lab. See page M-1, Item 4.)

**55 Crime Lab Equipment**

Provides additional funds for equipment to expand the Crime Lab's ability to provide toxicology services in the western part of the State.

\$1,055,773 NR

(Funds are appropriated in the Capital section of the Committee Report for planning for a new Western Crime Lab. See page M-1, Item 4.)

**56 Toxicology Outsourcing Funds**

Provides funds for the outsourcing of toxicology cases to private lab service providers. Priority should be given to cases originating in the western part of the State to reduce the need for Crime Lab analysts from Raleigh and Greensboro to travel to those areas. If the Department determines that outsourcing of toxicology cases is not feasible due to legal concerns involving analyst testimony, these funds may be redirected to increase toxicology analysis capabilities within the Crime Lab.

\$750,000 R

**E. Training and Standards**

**57 Sheriffs' Education and Training Standards**

Appropriates funds to support the Sheriffs' Education and Training Standards Commission. Section 2.2(e) transfers funds from the Statewide Misdemeanant Confinement Fund to the General Fund for this purpose. This Commission is currently supported by a portion of the \$2 court fee designated for law enforcement training. Those funds will now wholly support the Criminal Justice Education and Training Standards Commission. These changes increase the funds available to DOJ to support both Standards Commissions. (S.L. 2013-360, Sec. 2.2(e))

\$1,000,000 R \$1,000,000 R

**58 Criminal Justice Education and Training**

Refers to Section 18B.18, which changes the allocation of the \$2 court fee designated for law enforcement training and standards by directing that all of the funds go to the Criminal Justice Education and Training Standards Commission (CJETS). Previously, those funds were split between the Sheriffs' Standards Commission and CJETS. The appropriation of funds to support Sheriffs' Standards in the previous item allows for the redirection of all of the \$2 court fee to CJETS, increasing the amount available to DOJ for the support of both Standards Commissions. (S.L. 2013-360, Sec. 18B.18)

<b>Total Legislative Changes</b>	<b>\$785,351</b>	<b>R</b>	<b>\$1,535,351</b>	<b>R</b>
	<b>\$1,167,197</b>	<b>NR</b>		
<b>Total Position Changes</b>	<b>18.00</b>		<b>18.00</b>	
<b>Revised Budget</b>	<b>\$79,726,123</b>		<b>\$82,308,926</b>	

# Special Provisions

## 2013 Session: HB 112

**Department:** Justice

Section: 6.2

**Title:** BUDGET CHANGE: TRANSFER OF CERTAIN DEPARTMENT OF JUSTICE POSITIONS TO THE DEPARTMENTS THEY SERVE

**Summary** Rewrites S.L. 2013-360, Sec. 17.8, Appropriations Act of 2013, to transfer 19 positions from the Department of Justice to the agencies they serve. Section 17.8 originally required the Joint Legislative Oversight Committee on Justice and Public Safety (JPS) to develop a plan to transfer positions. That plan is no longer required.

## 2013 Session: SB 402

**Department:** Justice

Section: 17.1

**Title:** ANNUAL REPORTING ON ATTORNEY ACTIVITY

**Summary** Creates an annual reporting requirement for the Department of Justice (DOJ) on the work of DOJ attorneys. The report will be submitted annually to the Chairs of the House and Senate Appropriations Subcommittees on JPS, the Chairs of the Joint Legislative Oversight Committee on JPS, and the Fiscal Research Division beginning August 1, 2014.

Section: 17.2

**Title:** ANNUAL CRIME LAB REPORT

**Summary** Requires the NC State Crime Laboratory (Crime Lab) to report annually on its work to the Chairs of the Joint Legislative Oversight Committee on JPS and the Fiscal Research Division beginning October 1, 2013.

Section: 17.3

**Title:** DEVELOPMENT OF TRAINING PROGRAM ON PROPER PROCEDURES FOR SUBMISSION OF EVIDENCE TO THE CRIME LAB

**Summary** Requires the Crime Lab, in conjunction with the University of North Carolina School of Government and the Conference of District Attorneys, to develop a training curriculum for district attorneys regarding the Crime Lab. A report on the progress of this training is due by the Crime Lab to the Chairs of the House and Senate Appropriations Subcommittees on JPS, the Chairs of the Joint Legislative Oversight Committee on JPS, and the Fiscal Research Division by October 1, 2013.

Section: 17.4

**Title:** USE OF TOXICOLOGY ANALYSIS FUNDS

**Summary** Allows DOJ to reallocate funds appropriated for outsourcing of toxicology analysis to the Crime Lab if outsourcing is found to be inappropriate due to legal or fiscal concerns involving analyst testimony.

Section: 17.5

Title: **NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE CRIME LABORATORY**

Summary Prohibits the hiring of sworn law enforcement personnel for the Crime Lab.

Section: 17.6

Title: **REMOVE THE NORTH CAROLINA STATE CRIME LABORATORY FROM THE STATE BUREAU OF INVESTIGATION**

Summary Transfers the Crime Lab from the State Bureau of Investigation and places it under the direct control of the Attorney General.

Section: 17.7

Title: **OPERATING EFFICIENCIES REDUCTION**

Summary Restricts the operating efficiencies reduction by prohibiting reductions to the Crime Lab. Requires the Department to report to the Fiscal Research Division by October 1, 2013 on the management of this reduction.

Section: 17.8

Title: **PLAN FOR TRANSFERRING ASSISTANT ATTORNEY GENERAL POSITIONS TO THE DEPARTMENTS THEY SERVE**

Summary Requires the Joint Legislative Oversight Committee on JPS to develop a plan for transferring Assistant Attorney General positions to the State agencies they serve.

(S.L. 2013-363, Sec. 6.2, Modifications/2013 Appropriations Act, rewrites this item to transfer 19 positions from DOJ to the agencies they serve. The Oversight Committee is no longer required to develop a plan.)

## Judicial - Indigent Defense

GENERAL FUND

	<b>FY 13-14</b>		<b>FY 14-15</b>																					
<b>Continuation Budget</b>	<b>\$114,505,898</b>		<b>\$114,505,898</b>																					
<b>Legislative Changes</b>																								
<b>59 Administrative Staff Operations Reduction</b>	(\$258,634)	R	(\$258,634)	R																				
Reduces administrative staff through efficiencies gained by increased partnership with the School of Government for training, greater utilization of existing staff in lieu of contracted consultants, and more efficient distribution of workload. One position is being reduced to half-time (Special Counsel Legal Assistant, 60091441). The following three positions are being eliminated:	-3.25		-3.25																					
<table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 25%;"></th> <th style="width: 15%; text-align: center;">Total</th> <th style="width: 45%;"></th> </tr> <tr> <th style="text-align: left;">Position</th> <th style="text-align: left;">Title</th> <th style="text-align: left;">Position Cost</th> <th></th> </tr> </thead> <tbody> <tr> <td>60002264</td> <td>IDS Admin Asst.</td> <td>\$44,473</td> <td></td> </tr> <tr> <td>60096765</td> <td>IDS Research Staff</td> <td>\$28,000</td> <td></td> </tr> <tr> <td>60002229</td> <td>Special Counsel</td> <td>\$52,739</td> <td></td> </tr> </tbody> </table>			Total		Position	Title	Position Cost		60002264	IDS Admin Asst.	\$44,473		60096765	IDS Research Staff	\$28,000		60002229	Special Counsel	\$52,739					
		Total																						
Position	Title	Position Cost																						
60002264	IDS Admin Asst.	\$44,473																						
60096765	IDS Research Staff	\$28,000																						
60002229	Special Counsel	\$52,739																						
<b>60 Prisoner Legal Services</b>	(\$890,000)	R	(\$890,000)	R																				
Reduces funding for North Carolina Prisoner Legal Services to reflect the declining number of inmates incarcerated in the state's prison system.																								
<b>61 Low-Level Misdemeanor Reclassification</b>	(\$2,000,000)	R	(\$2,000,000)	R																				
Reclassifies low-level misdemeanors that rarely result in incarceration as Class 3 misdemeanors or infractions and modifies the sentencing structure for Class 3 misdemeanors so that the first three charges are fineable offenses. With no possibility of incarceration, these offenses do not require legal counsel. (S.L. 2013-360, Sec. 18B.13, 18B.14, and 18B.15)																								
<b>62 Additional Private Assigned Counsel Funds</b>	\$3,772,159	NR																						
Allocates nonrecurring funds to pay private counsel assigned to represent indigent defendants, reducing a budget shortfall that has accumulated over several years. This budget shortfall creates a hardship for small business legal firms whose payments are delayed when State funding is exhausted before the end of the fiscal year.																								
<b>Total Legislative Changes</b>	<b>(\$3,148,634)</b>	R	<b>(\$3,148,634)</b>	R																				
	<b>\$3,772,159</b>	NR																						
<b>Total Position Changes</b>	-3.25		-3.25																					
<b>Revised Budget</b>	<b>\$115,129,423</b>		<b>\$111,357,264</b>																					



# Special Provisions

## 2013 Session: SB 402

**Department:** Judicial - Indigent Defense

Section: 18A.1

Title: **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

Summary Directs the Office of Indigent Defense Services (OIDS) to report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety (JPS) and the Senate and House Appropriations Subcommittees on JPS by March 1 of each year on agency operations, costs, and planning.

Section: 18A.2

Title: **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

Summary Allows OIDS to use up to \$2.15 million in appropriated funds over the 2013-15 fiscal biennium to expand existing offices, create new offices, or establish regional public defender programs. Prior to using funds for this purpose, the agency shall report to the Chairs of the Senate and House Appropriations Subcommittees on JPS.

Section: 18A.3

Title: **OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

Summary Allows OIDS to use up to \$50,000 of funds available for State matching funds for grants. Prior to using funds for this purpose, the agency shall report to the Chairs of the Senate and House Appropriations Subcommittees on JPS and the Joint Legislative Commission on Governmental Operations.

Section: 18A.4

Title: **PRIVATE ASSIGNED COUNSEL**

Summary Directs OIDS to issue a request for proposals to contract for the provision of all legal services for indigent clients in all judicial districts. The agency shall report to the Joint Legislative Commission on Governmental Operations by October 1, 2013.

Section: 18A.5

Title: **SENIOR RESIDENT SUPERIOR COURT JUDGES SHALL APPOINT PUBLIC DEFENDERS**

Summary Provides that the senior resident superior court judge shall appoint public defenders rather than the Commission on Indigent Defense Services.

Section: 18A.6

Title: **RESOLVING CONFLICTS OF INTEREST IN PUBLIC DEFENDER OFFICES**

Summary Allows a public defender who has a conflict of interest in the office to request the appointment of an assistant public defender from another office in the region rather than obtaining private assigned counsel. OIDS shall report to the Chairs of the Joint Legislative Oversight Committee on JPS by October 1, 2013 and every October 1 thereafter on any conflicts of interest and costs or savings that have occurred during the prior fiscal year.

Judicial

GENERAL FUND

Continuation of Budget	FY 13-14		FY 14-15	
	\$458,416,996		\$458,416,996	
<b>Legislative Changes</b>				
<b>63 Administrative Budget Reduction</b>	(\$4,000,000)	R	(\$4,000,000)	R
Reduces funding for the Administrative Office of the Courts' Administration Division. This reduction will not impact any county or district level court personnel. This change leaves total funding of \$45.3 million for the Division in each year of the 2013-15 fiscal biennium.				
<b>64 Additional Magistrate Funding</b>	\$1,000,000	R	\$1,000,000	R
Restores 22 magistrate positions. Some of these positions may be placed in counties that currently have three magistrates to increase coverage and minimize after-hours call-backs.				
	22.00		22.00	
<b>65 Funds for Interpreters, Witnesses, and Juries</b>	\$1,009,256	R	\$1,009,256	R
Increases the budget for interpreters, expert witnesses, and jury fees as necessary to operate the State court system. Funds for interpreters would increase by \$342,821 over the current budget of \$1.0 million. Funds for expert witnesses would increase by \$203,458 over the current budget of \$422,498. Funds for jury fees would increase by \$462,977 over the current budget of \$3.2 million.				
<b>66 Local Hospital Toxicology Analysis</b>	\$500,000	NR		
Establishes a fund to be administered by the Conference of District Attorneys to allow district attorneys to use local hospitals for toxicology services in DWI cases. (S.L. 2013-360, Sec. 18B.4)				
<b>Total Legislative Changes</b>	<b>(\$1,990,744)</b>	<b>R</b>	<b>(\$1,990,744)</b>	<b>R</b>
	<b>\$500,000</b>	<b>NR</b>		
<b>Total Position Changes</b>	22.00		22.00	
<b>Revised Budget</b>	<b>\$456,926,252</b>		<b>\$456,426,252</b>	

# Special Provisions

## 2013 Session: HB 112

**Department:** Judicial

Section: 6.1

**Title:** TECHNICAL CHANGE: CONSOLIDATE DISTRICT COURT AND PROSECUTORIAL DISTRICTS 6A AND 6B/RESTRUCTURE SEVERAL SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS/AUTHORIZE ADDITIONAL DISTRICT COURT JUDGE FOR DISTRICT COURT DISTRICT 21

**Summary** Amends S.L. 2013-360, Sec. 18B.22, Appropriations Act of 2013, to correct an error in the title.

Section: 6.3

**Title:** TECHNICAL CHANGE: COMPENSATION OF COURT REPORTERS

**Summary** Amends S.L. 2013-360, Sec. 18B.21A, Appropriations Act of 2013, to add an effective date of September 1, 2013 and to clarify that this section applies to payments for transcripts that are requested on or after that date.

## 2013 Session: SB 402

**Department:** Judicial

Section: 18B.1

**Title:** GRANT FUNDS

**Summary** Allows the Administrative Office of the Courts (AOC) to use up to \$1.5 million of funds available for State matching funds for grants. Prior to using funds for this purpose, the agency shall report to the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety (JPS) and the Joint Legislative Commission on Governmental Operations.

Section: 18B.2

**Title:** COLLECTION OF WORTHLESS CHECK FUNDS

**Summary** Allows the Judicial Department to use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2013 for the purchase or repair of office or information technology equipment in FY 2013-14. Prior to using funds for this purpose, the agency shall report to the Chairs of the Senate and House Appropriations Subcommittees on JPS, the Joint Legislative Commission on Governmental Operations, and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

Section: 18B.4

Title: **CONFERENCE OF DISTRICT ATTORNEYS GRANT FUND**

Summary Allocates \$500,000 from funds appropriated to the Judicial Department in FY 2013-14 to the Conference of District Attorneys to establish a grant fund which will provide district attorneys with resources to obtain toxicology analysis from local hospitals for persons charged with driving while impaired whose conduct did not result in serious injury or death to others. The Conference shall report on the expenditure of these funds to the Chairs of the Joint Legislative Oversight Committee on JPS by October 1, 2014.

Section: 18B.5

Title: **MODIFY LEGAL AID DOMESTIC VIOLENCE REPORT**

Summary Directs the North Carolina State Bar to submit the Legal Aid Domestic Violence Report to the Chairs of the Joint Legislative Oversight Committee on JPS.

Section: 18B.6

Title: **FAMILY COURT PROGRAMS**

Summary Directs AOC to provide direction and oversight to the existing family court programs in the State. The agency shall report on its efforts in this regard to the Chairs of the Senate and House Appropriations Subcommittees on JPS and the Joint Legislative Oversight Committee on JPS by March 1, 2014.

Section: 18B.7

Title: **MAGISTRATE DISTRIBUTION FORMULA**

Summary Directs AOC, in conjunction with the National Center for State Courts (NCSC), to study its current formula for the distribution of magistrates across the State. The agency shall report on its findings to the Chairs of the Joint Legislative Oversight Committee on JPS by February 1, 2014.

Section: 18B.8

Title: **MINUTES MAINTAINED BY THE CLERK OF SUPERIOR COURT TO RECORD CONVENING AND ADJOURNMENT OR RECESS OF BOTH DISTRICT AND SUPERIOR COURT**

Summary Directs clerks to maintain the date and time of each convening and recess or adjournment of district and superior court. AOC shall report these dates and times monthly to NCSC, the Fiscal Research Division, and the Chairs of the Joint Legislative Oversight Committee on JPS.

Section: 18B.9

Title: **JUDICIAL FORMS SHALL CONFORM TO JUSTICE REINVESTMENT CHANGES**

Summary Directs AOC to ensure that all judicial forms conform to all of the changes in law resulting from the enactment of S.L. 2011-192, Justice Reinvestment Act of 2011.

Section: 18B.10

Title: **CRIMINAL CASE INFORMATION SYSTEM FOR PUBLIC DEFENDERS**

Summary Directs AOC and the Office of Indigent Defense Services (OIDS) to each use \$350,000 of funds available over the 2013-15 fiscal biennium to develop or acquire and to implement a component of the criminal case information system for use by public defenders no later than February 1, 2015. The agency shall make an interim report on its efforts in this regard by February 1, 2014 and a final report by March 1, 2015.

Section: 18B.11

Title: **CLERKS' ACCEPTANCE OF CREDIT CARDS**

Summary Directs AOC to implement a system for clerks to accept credit cards. The agency shall implement this system in five counties that do not currently accept credit card payments by January 1, 2014. The agency shall report on this implementation and plans to implement this program statewide to the Chairs of the Joint Legislative Oversight Committee on JPS by February 1, 2014. The agency shall implement the system in the remaining counties by January 1, 2015 and report on this implementation to the Chairs of the Joint Legislative Oversight Committee on JPS by February 1, 2015.

Section: 18B.13

Title: **AMEND CLASS 3 MISDEMEANOR SENTENCES**

Summary Amends the sentencing structure for Class 3 misdemeanors so that unless specifically provided otherwise, the judgment for a person convicted of a Class 3 misdemeanor who has no more than three prior convictions shall consist only of a fine.

Section: 18B.14

Title: **RECLASSIFICATION OF CERTAIN CLASS 1 AND CLASS 2 MISDEMEANORS AS CLASS 3 MISDEMEANORS**

Summary Reclassifies eleven Class 1 or Class 2 misdemeanors as Class 3 misdemeanors.

Section: 18B.15

Title: **RECLASSIFY CERTAIN VIOLATIONS OF THE BOATING SAFETY ACT FROM CLASS 3 MISDEMEANORS TO INFRACTIONS**

Summary Reclassifies five violations of the Boating Safety Act from Class 3 misdemeanors to infractions.

Section: 18B.16

Title: **EXPUNCTION FEES**

Summary Establishes a uniform fee of \$175 for all types of petitions for expunction of a criminal record. Some receipts are appropriated to the Department of Justice (DOJ) and AOC to assist with the cost of processing petitions for expunction.

Subsection (h) requires DOJ and AOC to report to the Chairs of the Joint Legislative Oversight Committee on JPS by September 1 of each year on the number and type of expunctions granted during the previous five fiscal years and how the agencies have spent the receipts from these fees.

Section: 18B.17

Title: **AMEND MOTION FEES**

Summary Establishes that a \$20 motion fee applies to a notice of hearing on a motion and that no more than one fee shall be assessed for any motion for which a notice of hearing is filed.

Section: 18B.18

Title: **CRIMINAL JUSTICE EDUCATION AND STANDARDS COMMISSION COURT FEE**

Summary Reallocates an existing court fee so that the entire amount is dedicated to the Criminal Justice Education and Training Standards Commission (CJETTS). Previously, this fee was split between CJETTS and the Sheriff's Education and Training Standards Commission (SETS). Beginning in FY 2013-14, \$1 million is appropriated from the General Fund to support SETS.

Section: 18B.19

Title: **COURT COSTS FOR SERVICES OF EXPERT WITNESS PROVIDING TESTIMONY ABOUT A CHEMICAL OR FORENSIC ANALYSIS AT TRIAL**

Summary Establishes a \$600 court fee in cases where an expert witness provides testimony about a chemical or forensic analysis. In cases where the witness is from the North Carolina State Crime Laboratory, this fee shall be remitted to DOJ. In cases where the witness is from a local government crime laboratory, this fee shall be remitted to the local government.

Section: 18B.20

Title: **REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

Summary Allows the Judicial Department to establish a per-mile reimbursement rate for transportation by privately-owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service during the 2013-15 fiscal biennium.

Section: 18B.21

Title: **STUDY USE AND COMPENSATION OF COURT REPORTERS**

Summary Directs AOC, in consultation with NCSC, to study the most effective and efficient deployment of court reporters and the most appropriate payment for them. The agency shall report on its findings to the Chairs of the Joint Legislative Oversight Committee on JPS by February 1, 2014.

Section: 18B.21A

Title: **COMPENSATION OF COURT REPORTERS**

Summary Directs AOC to set limits on the compensation of court reporters during the 2013-15 fiscal biennium so that both the agency and OIDS pay no more than 50 percent of the per-transcript-page rate paid by each agency during the 2011-13 fiscal biennium.

(S.L. 2013-363, Sec. 6.3, Modifications/2013 Appropriations Act, amends this section to add an effective date of September 1, 2013 and to clarify that this section applies to payments for transcripts that are requested on or after that date.)

Section: 18B.22

Title: **CONSOLIDATE DISTRICT COURT AND PROSECUTORIAL DISTRICTS 6A AND 6B/RESTRUCTURE SEVERAL SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS/AUTHORIZE ADDITIONAL DISTRICT COURT JUDGE FOR DISTRICT COURT DISTRICT 21**

Summary Consolidates District Court and Prosecutorial Districts 6A and 6B, restructures several Superior Court, District Court, and Prosecutorial Districts, and authorizes an additional District Court Judge for District Court District 21.

(S.L. 2013-363, Sec. 6.1, Modifications/2013 Appropriations Act, amends this section to correct an error in the title.)

# **General Government**

## **Section J**

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( 1.0) Cultural Resources

GENERAL FUND

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$63,626,477</b>		<b>\$63,629,480</b>	
<b>Legislative Changes</b>				
<b>1110 - Administration</b>				
<b>1 Strategic Marketing Program</b>				
Provides funding to create a department-wide marketing strategy. The Department shall coordinate these efforts with the Department of Commerce.	\$53,000	NR		
<b>1210 - Archives and Records</b>				
<b>2 Director of Division of Historical Resources</b>				
Eliminates one vacant supervisor position (60083302). The salary is \$93,523 and benefits are approximately \$25,700.	(\$119,190)	R	(\$119,190)	R
	-1.00		-1.00	
<b>1241 - Historic Sites</b>				
<b>3 Savings at Historic Sites</b>				
Achieves savings at historic sites by implementing a policy of standard operating days, reducing contracts, and securing revenue enhancements. There will be a reduction of one position: Building and Environmental Technician (600083487).	(\$152,190)	R	(\$152,190)	R
	-1.00		-1.00	
<b>1242 - Tryon Palace</b>				
<b>4 Tryon Palace</b>				
Provides nonrecurring funds for operations of Tryon Palace. There will be over \$2.5 million in State appropriations for Tryon Palace in FY 2013-14.	\$500,000	NR	\$100,000	NR
<b>1330 - NC Arts Council</b>				
<b>5 Administration</b>				
Reduces State appropriations available for administration of the Arts Council activities; remaining funding will be \$1,325,049 annually. Positions may be eliminated in this reduction.	(\$250,000)	R	(\$250,000)	R
<b>Across Divisions</b>				
<b>6 Management Flexibility Reserve</b>				
Reduces funding to the Department and provides the Secretary with the flexibility to take the reduction by identifying administrative savings and efficiencies department-wide.	(\$150,000)	R	(\$150,000)	R

**Agency Wide**

**7 Budget Gaps**

Provides non-recurring funds for workers' compensation and disability claims and corrects underfunded budget line items in Archives and Records and Historic Preservation.  
 Workers' Compensation and Disability Claims \$116,629  
 Archives and Records and Historic Preservation \$95,419

\$212,048 NR

**Historic Sites**

**8 Historic Sites**

Reduces State appropriations for operations at the following historic sites: Aycock Birthplace, Polk Memorial, Vance Birthplace, House in the Horseshoe, and the Museum at Old Fort.

(\$50,000) R (\$50,000) R

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**Total Legislative Changes**

(\$721,380) R (\$721,380) R  
 \$765,048 NR \$100,000 NR

**Total Position Changes**

-2.00 -2.00

**Revised Budget**

**\$63,670,145 \$63,008,100**

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## Special Provisions

### 2012 Session: SB 402

**Department:** ( 1.0) Cultural Resources

Section: 19.1

**Title: CULTURAL RESOURCES TO FIND ALTERNATIVE FUNDING FOR STATE HISTORIC SITES**

**Summary** Directs the Department of Cultural Resources to find alternative funding to support the State's 27 historic sites.

Section: 19.3

**Title: ALLOW MUSEUMS AND HISTORIC SITES TO GENERATE REVENUE FROM VENDOR SERVICES AND TO SELL CERTAIN MERCHANDISE**

**Summary** Amends Article 3 of Chapter 11 to add a new section to allow the Department of Cultural Resources to operate or contract for food, vending services, and gift shops and use the proceeds for the operation of historic sites at which the revenues are generated.

Section: 19.8

**Title: EXECUTIVE MANSION EXCESS PROPERTY**

**Summary** Amends G.S. 143B-79 to allow the Executive Mansion Fine Arts Committee to dispose of property held in the Executive Mansion and for all of the revenues generated from the sale of property to be deposited into a Special Fund to be used only for the purchase, conservation, restoration or repair of other property for use in the Executive Mansion. Section 19.8(b) requires an appraisal on all items held in the Executive Mansion that are proposed for disposition. The Executive Mansion Fine Arts Committee shall report to the Chairs of the Appropriations Subcommittee on General Government and Fiscal Research Division prior to the sale of items. (H.B. 372/S.B. 694)

## Special Provisions

### 2012 Session: SB 402

**Department:** ( 1.0) Cultural Resources

Section: 19.2

**Title: ALLOW EXEMPTION TO RULE-MAKING PROCESS FOR ESTABLISHING AND CHANGING ADMISSION AND ACTIVITY FEES AT STATE HISTORIC SITES, MUSEUMS, TRYON PALACE HISTORIC SITES AND GARDENS, AND THE U.S.S. NC BATTLESHIP**

**Summary** Amends G.S. 121-7.3 to exempt the Department of Cultural Resources, Tryon Palace Commission, and the U.S.S. North Carolina Battleship Commission from the rule-making requirements of G.S. 150B for the purposes of setting admission and activity fees. Additionally, these entities must submit a report to the Legislative Commission on Governmental Operations on the amount and purpose of a fee change within 30 days following its effective date.

( 2.0) Cultural Resources - Roanoke Island Commission

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$1,058,757</b>		<b>\$1,058,757</b>	
<b>Legislative Changes</b>				
<b>1584 - Roanoke Island Commission</b>				
<b>9 Roanoke Island Commission</b>	(\$608,757)	R	(\$608,757)	R
Reduces funds available for the Roanoke Island Commission.				
<b>Total Legislative Changes</b>	<b>(\$608,757)</b>	<b>R</b>	<b>(\$608,757)</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$450,000</b>		<b>\$450,000</b>	

# Special Provisions

**2012 Session: SB 402**

**Department:** ( 2.0) Cultural Resources - Roanoke Island Commission

Section: 19.9

Title: **ROANOKE ISLAND FUNDING/FRIENDS OF ELIZABETH II SUPPORT**

Summary Directs the Roanoke Island Commission to request financial support from the Friends of Elizabeth II, Inc. (Friends), in the amount of \$325,000 or the average of the last three consecutive years of the Friends' investment earnings, whichever is greater, for each year of the biennium and each subsequent fiscal year.

( 3.0) Insurance

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$38,454,593</b>		<b>\$38,464,213</b>	
<b>Legislative Changes</b>				
<b>1500 - Fire Marshal</b>				
<b>10 Fire Protection Grants</b>	\$100,000	R	\$100,000	R
Provides additional funds for the State Fire Protection Grant Fund. These funds will be used to provide fire protection for the State-owned facilities located in Butner. (S.L. 2013-360, Sec. 16B.4; See also Page 12, Item 7)				
<b>Across Divisions</b>				
<b>11 Position Eliminations</b>	(\$560,589)	R	(\$560,589)	R
Eliminates nine positions across the Department of Insurance.				
	-9.00		-9.00	
<b>Total Legislative Changes</b>	<b>(\$460,589)</b>	<b>R</b>	<b>(\$460,589)</b>	<b>R</b>
<b>Total Position Changes</b>	<b>-9.00</b>		<b>-9.00</b>	
<b>Revised Budget</b>	<b>\$37,994,004</b>		<b>\$38,003,624</b>	

## Special Provisions

**2012 Session: SB 402**

**Department:** ( 3.0) Insurance

Section: 20.1

Title: **CONSUMER PROTECTION FUND RETAINED AMOUNT**

Summary Amends G.S. 58-2-215 to reduce the amount of funds that may be held in the Consumer Protection Special Fund from \$500,000 to \$250,000.

Section: 20.3

Title: **SET INSURANCE REGULATORY CHARGE**

Summary Continues the Insurance Regulatory Charge at six percent for the 2013 and 2014 calendar years.

## Special Provisions

**2012 Session: HB 473**

**Department:** ( 3.0) Insurance

Section:

Title: **NC CAPTIVE INSURANCE ACT**

Summary Allows the Department of Insurance to license and regulate captive insurance companies and develop a captive insurance industry in North Carolina. This act becomes effective July 1, 2013 provided there are funds appropriated for this activity. The funds are appropriated within the Reserves Section of the Committee Report to implement this activity. (Page L4, Item 17)

( 4.0) Insurance - Volunteer Safety Workers' Compensation Fund

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$2,623,654</b>		<b>\$2,623,654</b>	
<b>Legislative Changes</b>				
<b>Volunteer Safety Workers' Compensation Fund</b>				
<b>12 Fund</b>	(\$2,623,654)	R	(\$2,623,654)	R
Eliminates recurring State appropriations. The funds for the Volunteer Safety Workers' Compensation Fund will come from G.S. 105-228.5(d)(3). Up to 20% of the tax shall be deposited into this Fund to continue financial support. (S.L. 2013-360, Sec. 20.2)				
<b>Total Legislative Changes</b>	<b>(\$2,623,654)</b>	<b>R</b>	<b>(\$2,623,654)</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$0</b>		<b>\$0</b>	



# Special Provisions

2012 Session: **SB 402**

**Department:** ( 4.0) Insurance - Volunteer Safety Workers' Compensation Fund

Section: 20.2

Title: **WORKERS' COMPENSATION FUND/ALLOCATION FOR VOLUNTEER SAFETY WORKERS**

Summary Amends G.S. 105-228.5(d)(3) to include the Volunteer Safety Workers' Compensation Fund (VSWCF) as a recipient of the gross premium tax collected from insurance companies. This special provision directs that VSWCF shall receive 20 percent of the tax for each year of the biennium and up to 20 percent in subsequent years. The Department shall conduct an actuarial assessment of the fund to determine a funding amount to be credited to the Fund and the Office of State Budget and Management will review and approve this analysis.

Section 20.2(b) amends G.S. 58-84-25 to reduce the Department's administrative allowance from 2 percent to 1 percent. (S.B. 670, H.B. 27/S.B. 31)

( 5.0) State Board of Elections

GENERAL FUND

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$5,213,445</b>		<b>\$5,213,445</b>	
<b>Legislative Changes</b>				
<b>1100 - Administration</b>				
<b>13 Operating Budget</b>	(\$20,313)	R	(\$20,313)	R
Reduces the operating budget across all divisions.				
<b>Campaign Finance and Auditing</b>				
<b>14 Positions</b>	\$109,241	R	\$109,241	R
Provides funding for 1.52 FTEs previously funded by the NC Public Campaign Finance Fund. The positions include one General Accounts Auditor I position and .52 FTE Deputy Director of Campaign Finance. (S.L. 2013-360, Sec. 21.1)	1.52		1.52	
<b>State Board of Elections</b>				
<b>15 Help America Vote Act (HAVA) Funds</b>			\$213,366	R
Provides matching funds for federal HAVA funds to support the Statewide Election and Information Management System (SEIMS) and to fund two time-limited positions in FY 2014-15. These additional funds will allow the State to access \$4,071,740 of HAVA federal funds for information technology efforts.			\$177,505	NR
			2.00	
<b>Total Legislative Changes</b>	<b>\$88,928</b>	<b>R</b>	<b>\$302,294</b>	<b>R</b>
<b>Total Position Changes</b>			<b>\$177,505</b>	<b>NR</b>
	1.52		3.52	
<b>Revised Budget</b>	<b>\$5,302,373</b>		<b>\$5,693,244</b>	

# NC Public Campaign Finance Fund

Budget Code: 68025

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$8,491,702</b>	<b>\$4,991,702</b>
<b>Recommended Budget</b>		
Requirements	\$0	\$0
Receipts	\$0	\$0
Positions	0.00	0.00

**Legislative Changes**

**Requirements:**

<b>NC Public Campaign Finance Fund</b>	\$0 R	\$0 R
Transfers \$3,500,000 in FY 2013-14 to general availability. (S.L. 2013-360, Sec. 2.2(e) and 21.1)	\$3,500,000 NR	\$0 NR
	0.00	0.00
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$3,500,000 NR</b>	<b>\$0 NR</b>
	0.00	0.00

**Receipts:**

<b>NC Public Campaign Finance Fund</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
<b>Revised Total Requirements</b>	<b>\$3,500,000</b>	<b>\$0</b>
<b>Revised Total Receipts</b>	<b>\$0</b>	<b>\$0</b>
<b>Change in Fund Balance</b>	<b>(\$3,500,000)</b>	<b>\$0</b>
<b>Total Positions</b>	<b>0.00</b>	<b>0.00</b>
<b>Unappropriated Balance Remaining</b>	<b>\$4,991,702</b>	<b>\$4,991,702</b>

## Special Provisions

**2012 Session: SB 402**

**Department:** ( 5.0) State Board of Elections

Section: 21.1

Title: **ELIMINATE NORTH CAROLINA PUBLIC CAMPAIGN FUND**

Summary Repeals Article 22D of Chapter 163 to eliminate the North Carolina Public Campaign Finance Fund and deposits funds collected from the \$3 taxpayer check-off into the State General Fund. Section 21.1j directs the State Board of Elections to utilize the remaining funds collected from the \$50 attorney surcharge to produce future voter guides.

## Special Provisions

**2012 Session: HB 589**

**Department:** ( 5.0) State Board of Elections

Section:

Title: **VIVA/ELECTION REFORM**

Summary Requires registered voters to present a valid photo identification in order to vote. A valid photo identification includes a North Carolina Special Identification Card (NC ID) issued by Division of Motor Vehicles (DMV). The Voter Information and Verification Act (VIVA) requires that these cards be issued free-of-charge to registered voters when they are obtaining a card for the purpose of voting. Additionally, a birth certificate or marriage certificate is required in order to receive an NC ID and those documents must also be provided free-of-charge.

There is \$1 million appropriated for the purposes of implementing VIVA; this includes reimbursement to DMV for NC SID cards and to the Department of Health and Human Services and local governments for the issuance of vital records. These funds are also to be used by State Board of Elections in implementing VIVA. (Page L4, Item 18)

In addition to the photo identification requirement, S.L. 2013-381 amends current election laws and there are no additional funds appropriated for those changes.

( 6.0) General Assembly

GENERAL FUND

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$52,845,390</b>		<b>\$52,845,390</b>	
<b>Legislative Changes</b>				
<b>1100 - Administration</b>				
<b>16 Furniture - Across Divisions</b>				
Reduces the funds available for purchase of furniture in FY 2014-15.			(\$35,000)	NR
<b>17 Management Flexibility Reduction - Agency Wide</b>				
Creates a management flexibility reduction of \$153,035 for the General Assembly.	(\$153,035)	R	(\$153,035)	R
<b>18 Operating Budgets - All Divisions</b>				
Reduces operating budgets across all divisions.			(\$31,500)	NR
<b>19 Rental Parking Space Budget</b>				
Reduces the rental parking space budget due to anticipated revenues to be generated from charging temporary staff a monthly parking fee.			(\$30,000)	R
<b>20 Vacant Position Eliminations - Administrative Division</b>				
Eliminates 2.6 positions that have been vacant over 180 days:	(\$120,504)	R	(\$120,504)	R
1.0 FTE Bill Room Supervisor (P30118)			-2.60	-2.60
0.6 FTE Housekeeper (P30549)				
1.0 FTE Food Services Assistant I (P30615A)				
<b>21 School of Government</b>				
Reduces funds for the School of Government contract.	(\$20,000)	R	(\$35,000)	R
<b>1213 - Research Division</b>				
<b>22 Vacant Position</b>				
Eliminates one vacant position that has been vacant for approximately 150 days:	(\$40,960)	R	(\$40,960)	R
1.0 FTE Senior Legislative Secretary (P30343)			-1.00	-1.00
<b>House and Senate</b>				
<b>23 Subsistence</b>				
Reduces the subsistence budget for FY 2014-15 based on the assumption of a long session end date of mid-July.			(\$123,760)	NR
<b>24 Temporary Wages</b>				

2013 Annotated Conference Committee Report

**FY 13-14**

**FY 14-15**

Reduces funding available for legislative assistant "floaters" during sessions.

(\$422,905) NR

(\$640,864) NR

**Total Legislative Changes**

(\$334,499) R

(\$379,499) R

(\$422,905) NR

(\$831,124) NR

**Total Position Changes**

-3.60

-3.60

**Revised Budget**

\$52,087,986

\$51,634,767

# Special Provisions

## 2012 Session: SB 402

**Department:** ( 6.0) General Assembly

Section: 22.3

Title: **LIMIT SELECT AND INTERIM STUDY COMMITTEES**

Summary Limits the number of interim and select study committees that may be authorized by the President Pro Tempore of the Senate and the Speaker of the House of Representatives to no more than 13 respectively during the FY 2013-15 biennium.

Section: 22.5

Title: **MEDICAID ADVISORY GROUP MATCHING FUNDS**

Summary Directs the General Assembly to transfer up to \$37,500 during FY 2013-14 to the Department of Health and Human Services to provide the matching funds for the activities of the Medicaid Advisory Group. (S. L. 2013-360, Sec. 12H.1 creates the Medicaid Advisory Group.)

Section: 22.6

Title: **PED/STUDY LICENSURE FEES**

Summary Directs the Joint Legislative Program Evaluation Oversight Committee to include a study of licensure fees for occupations regulated by the Department of Insurance in its FY 2013-14 work plan.



( 7.0) Governor

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$5,539,743</b>		<b>\$5,541,825</b>	
<b>Legislative Changes</b>				
<b>25 Savings</b>	(\$369,693)	R	(\$369,693)	R
Achieves savings through reducing non-essential dues and memberships by \$369,693.				
<b>Administration</b>				
<b>26 Education Innovation Grants</b>	\$2,000,000	R	\$2,000,000	R
Provides support for a pilot program that will make competitive grants to foster innovation in education with a goal to graduate more career and college ready students. (H.B. 902; S.L. 2013-360, Sec. 8.34)				
(S.L. 2013-363, Sec. 3.10, Modifications/2013 Appropriations Act, amends this item to transfer the program to the Office of the Governor. The program is also referenced in the Public Education section of the Committee Report. See page F-6, Item 25).				
<b>Total Legislative Changes</b>	<b>\$1,630,307</b>	<b>R</b>	<b>\$1,630,307</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$7,170,050</b>		<b>\$7,172,132</b>	

# Special Provisions

2012 Session: SB 402

Department: ( 7.0) Governor

Section:

Title: NO SPECIAL PROVISIONS

Summary

( 8.0) State Budget & Management

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$6,951,706</b>		<b>\$7,034,217</b>	
<b>Legislative Changes</b>				
<b>27 Positions</b>	\$500,000	R	\$500,000	R
Provides funding to increase staff capacity to perform complex analyses and forecasting for the development and administration of the State's budget.				
<b>Total Legislative Changes</b>	<b>\$500,000</b>	<b>R</b>	<b>\$500,000</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$7,451,706</b>		<b>\$7,534,217</b>	

# Special Provisions

2012 Session: SB 402

**Department:** ( 8.0) State Budget & Management

Section:

Title: NO SPECIAL PROVISIONS

Summary

( 9.0) State Budget and Management - Special

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$49,000</b>		<b>\$49,000</b>	
<b>Legislative Changes</b>				
<b>Grants-in-Aid</b>				
<b>28 Tarheel ChalleNGe - Stanly County Campus</b>				
Provides funds for the renovation of the New London school facility in Stanly County to expand the Tarheel ChalleNGe Academy.	\$3,092,000	NR		
<b>29 Grants for Nonprofits</b>				
Provides funding to the Office of State Budget and Management for nonprofits including the North Carolina Symphony and The Bridge Down East. (S.L. 2013-360, Sec. 24.1)	\$1,800,000	NR	\$1,500,000	NR
<b>30 North Carolina Humanities Council</b>				
Reduces funds for the North Carolina Humanities Council.	(\$29,000)	R	(\$29,000)	R
<b>Total Legislative Changes</b>	<b>(\$29,000)</b>	<b>R</b>	<b>(\$29,000)</b>	<b>R</b>
<b>Total Position Changes</b>	<b>\$4,892,000</b>	<b>NR</b>	<b>\$1,500,000</b>	<b>NR</b>
<b>Revised Budget</b>	<b>\$4,912,000</b>		<b>\$1,520,000</b>	

# Special Provisions

**2012 Session: SB 402**

**Department:** ( 9.0) State Budget and Management - Special

Section: 24.1

Title: **SYMPHONY CHALLENGE GRANT/OSBM -SPECIAL APPROPRIATIONS**

Summary Appropriates \$1.5 million to the North Carolina Symphony as a challenge grant that requires additional non-State funds to be raised for each year of the biennium.

In FY 2013-14, there is \$300,000 appropriated to The Bridge Downeast, Inc. to purchase a facility to house activities for the youth and senior citizens on Harkers Island and surrounding areas.

(10.0) Auditor

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$11,013,547</b>		<b>\$11,013,547</b>	
<b>Legislative Changes</b>				
<b>31 Audit Positions</b>	\$203,921	R	\$203,921	R
Funds two auditor positions that will focus on IT security and fraud detection.	2.00		2.00	
<b>Total Legislative Changes</b>	<b>\$203,921</b>	<b>R</b>	<b>\$203,921</b>	<b>R</b>
<b>Total Position Changes</b>	2.00		2.00	
<b>Revised Budget</b>	<b>\$11,217,468</b>		<b>\$11,217,468</b>	

# Special Provisions

2012 Session: SB 402

**Department:** (10.0) Auditor

Section:

Title: NO SPECIAL PROVISIONS

Summary



(11.0) Revenue

GENERAL FUND

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$80,031,575</b>		<b>\$80,031,575</b>	
<b>Legislative Changes</b>				
<b>1624 - Income Tax Division</b>				
<b>32 Income Tax Division Auditors</b>	\$190,027	R	\$190,027	R
Adds two auditor positions in the Income Tax Division to help with backlogged cases. Backlogged cases are the result of requests for reviews of disputed audits.	\$12,630	NR		
	2.00		2.00	
<b>1627 - Sales and Use Tax</b>				
<b>33 Sales and Use Tax Division Auditor</b>	\$95,483	R	\$95,483	R
Adds one auditor position to the Sales and Use Tax Division to help with backlogged cases. Backlogged cases are the result of requests for review of disputed audits.	\$7,030	NR		
	1.00		1.00	
<b>Agency Wide</b>				
<b>34 Tax Act Implementation</b>	\$579,373	R	\$579,373	R
Appropriates funds for two full time equivalent positions currently supported by the franchise tax and to hire six new FTEs to implement H.B. 998. The new FTEs are three auditors in the Sales and Use Division and three tax technicians in Taxpayer Assistance. (S.L. 2013-316; H.B. 998)	\$82,800	NR		
	8.00		8.00	
<b>Total Legislative Changes</b>	<b>\$864,883</b>	R	<b>\$864,883</b>	R
	<b>\$102,460</b>	NR		
<b>Total Position Changes</b>	11.00		11.00	
<b>Revised Budget</b>	<b>\$80,998,918</b>		<b>\$80,896,458</b>	

## Special Provisions

**2012 Session: SB 402**

**Department:** (11.0) Revenue

Section:

Title: **NO SPECIAL PROVISIONS**

Summary

## Special Provisions

**2012 Session: HB 998**

**Department:** (11.0) Revenue

Section:

Title: **TAX SIMPLIFICATION AND REDUCTION ACT**

Summary S.L. 2013-316, Tax Simplification and Reduction Act, eliminates the three tier personal income tax brackets and sets the personal income tax rate at 5.8 percent for 2014 and 5.75 percent in subsequent years. S.L. 2013-316, Tax Simplification and Reduction Act, also lowers the corporate income tax from 6.9 percent to as low as 3 percent provided revenue goals are met by FY 2016-17.

S.L. 2013-360, Appropriations Act of 2013, appropriated funds to the Department of Revenue to aid in the implementation of the changes. (Page J 25, Item 34)

(12.0) Secretary of State

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$11,845,185</b>		<b>\$11,845,185</b>	
<b>Legislative Changes</b>				
<b>Agency Wide</b>				
<b>35 Positions</b>	(\$121,909)	R	(\$121,909)	R
Eliminates the following three positions				
	-3.00		-3.00	
(60008714) Processing Assistant V				
(60008777) Program Assistant IV				
(60008779) Administrative Assistant II				
<b>36 Operations Reductions</b>	(\$148,093)	R	(\$148,093)	R
Achieves savings throughout the Department by reducing various operating accounts.				
<b>Total Legislative Changes</b>	<b>(\$270,002)</b>	<b>R</b>	<b>(\$270,002)</b>	<b>R</b>
<b>Total Position Changes</b>	<b>-3.00</b>		<b>-3.00</b>	
<b>Revised Budget</b>	<b>\$11,575,183</b>		<b>\$11,575,183</b>	

# Special Provisions

2012 Session: **SB 402**

**Department:** (12.0) Secretary of State

Section: 27.1

**Title: INCREASE REGISTRATION FEE FOR LOBBYIST & LOBBYIST PRINCIPAL/ELECTRONIC SUBMISSION OF ALL DOCUMENTS, REPORTS, AND PAYMENTS BY LOBBYISTS**

**Summary** Amends Chapter 120C to increase the lobbyist and lobbyist principal registration fee from \$100 to \$250. S.L. 2013-360, Appropriations Act of 2013, also requires electronic filing of all documents and reports as well as electronic payment submitted by lobbyists and lobbyist principals.

(13.0) Lieutenant Governor

GENERAL FUND
--------------

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$444,047</b>		<b>\$444,047</b>	
<b>Legislative Changes</b>				
<b>1110 - Administration</b>				
<b>37 Support for Office Operations</b>	\$231,042	R	\$231,042	R
Adds a Communication Director, Policy Director, and Director of Constituent Services to the Lieutenant Governor's Office.	\$6,000	NR		
	3.00		3.00	
<b>Total Legislative Changes</b>	<b>\$231,042</b>	<b>R</b>	<b>\$231,042</b>	<b>R</b>
	<b>\$6,000</b>	<b>NR</b>		
<b>Total Position Changes</b>	3.00		3.00	
<b>Revised Budget</b>	<b>\$681,089</b>		<b>\$675,089</b>	

# Special Provisions

2012 Session: SB 402

**Department:** (13.0) Lieutenant Governor

Section:

Title: NO SPECIAL PROVISIONS

Summary

(14.0) State Controller

GENERAL FUND
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	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$29,279,290</b>		<b>\$29,279,290</b>	
<b>Legislative Changes</b>				
<b>38 Operating Budget</b>	(\$45,000)	R	(\$45,000)	R
Reduces various accounts across the office to achieve savings.				
<b>39 ITS Charges</b>	(\$35,000)	R	(\$35,000)	R
Reflects the reduced Information Technology Services (ITS) charges that will result from a new help desk ticketing system.				
<b>40 Personnel</b>	(\$488,599)	R	(\$488,599)	R
Directs the State Controller to reduce the Department's personnel budget.				
<b>Total Legislative Changes</b>	<b>(\$568,599)</b>	<b>R</b>	<b>(\$568,599)</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$28,710,691</b>		<b>\$28,710,691</b>	

Office of State Controller

Budget Code: 24160

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$18,348,484</b>	<b>\$8,031,223</b>
<b>Recommended Budget</b>		
Requirements	<b>\$4,317,261</b>	<b>\$4,317,261</b>
Receipts	<b>\$0</b>	<b>\$0</b>
Positions	<b>0.00</b>	<b>0.00</b>

**Legislative Changes**

**Requirements:**

<b>Federal Insurance Contribution Act (FICA) Savings</b>	\$0 R	\$0 R
Transfers \$6,000,000 in FY 2013-14 to general availability. (S.L. 2013-360, Sec. 2.2e)	\$6,000,000 NR	\$0 NR
	0.00	0.00
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$6,000,000 NR</b>	<b>\$0 NR</b>
	0.00	0.00

**Receipts:**

<b>FICA Savings</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>



2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
<b>Revised Total Requirements</b>	<b>\$10,317,261</b>	<b>\$4,317,261</b>
<b>Revised Total Receipts</b>	<b>\$0</b>	<b>\$0</b>
<b>Change in Fund Balance</b>	<b>(\$10,317,261)</b>	<b>(\$4,317,261)</b>
<b>Total Positions</b>	<b>0.00</b>	<b>0.00</b>
<b>Unappropriated Balance Remaining</b>	<b>\$8,031,223</b>	<b>\$3,713,962</b>

# Special Provisions

2012 Session: **SB 402**

**Department:** (14.0) State Controller

Section: 29.1

Title: **OVERPAYMENTS AUDIT**

Summary Directs the Office of the State Controller to contract with an outside firm to audit inadvertent overpayments by State agencies. S.L. 2013-360, Appropriations Act of 2013, also directs the State Controller to use \$500,000 for data processing, debt collection and e-commerce costs and requires all money collected over that amount to revert to the General Fund.

(15.0) Administration

GENERAL FUND

	FY 13-14	FY 14-15
Continuation Budget	\$68,316,992	\$68,241,992

Legislative Changes

1123 - Historically Underutilized Businesses

**41 Historically Underutilized Business Education** (\$119,108) R  
 Eliminates up to two positions within the Division of Historically Underutilized Businesses. The Division is to continue current efforts to certify businesses as being historically underutilized and reduce efforts to educate businesses about the State's requirements. The Statutory requirements regarding historically underutilized businesses have been in existence since 2001. -2.00

1124 - Justice for Sterilization Victims

**42 Operations for Justice for Sterilization Victims Foundation**  
 Provides funding to continue the Justice for Sterilization Victims Foundation on a non-recurring basis. The Foundation will administer the compensation for victims of the State's Eugenics Program. (S.L. 2013-360, Sec. 6.18; S.B. 464/ H.B. 7, S.B. 421) \$130,000 NR \$130,000 NR

1411 - Office of State Construction

**43 Office of State Construction Receipts** \$924,013 R \$924,013 R  
 Moves positions at the Office of State Construction back to General Fund support. In FY 2011-12, nine positions within the Office of State Construction and 0.85 positions within the Management Information System Division were placed on receipt support. The receipts were to be from various projects' contingency reserves. The collection of funds from the contingency reserves has been problematic and the receipt source is uncertain. The following positions are to be moved back to General Fund support: 9.85 9.85

- 60014580 Engineer
- 60014582 Engineer
- 60014588 Engineer
- 60014589 Mechanical Engineer
- 60014590 Engineer
- 60014608 Engineering Technician
- 60014614 Engineer
- 60014700 Control System Technician
- 60089475 Engineer
- 60014137 Business & Technology Applications Analyst(0.85 FTE)

(S.L. 2013-360, Sec. 30.3)

**1421 - Facilities Management Division**

**44 Public Health Lab/Office of the Chief Medical Examiner Reserve**

\$254,493	R	\$254,493	R
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Provides increased funding for the operation and maintenance of the Public Health Lab/Office of the Chief Medical Examiner building. The building first received funding in FY 2011-12.

**1511 - Purchase and Contract Division**

**45 E-Commerce Reserve**

(\$1,218,659)	NR	(\$1,476,543)	NR
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Utilizes funds collected in the E-Commerce Reserve to fund the ongoing operations of the Purchase and Contract Division. The Reserve is funded by a charge paid on goods purchased through the State's E-Procurement System. (S.L. 2013-360, Sec. 30.5)

**1732 - Displaced Homemakers Program**

**46 Displaced Homemakers Program Elimination**

(\$292,390)	R	(\$292,390)	R
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Eliminates the Displaced Homemaker Program over two years. The General Fund appropriation to the program is eliminated. Funds collected by the Divorce Filing Fee that support the program are reduced from \$55 per divorce to \$35 in FY 2013-14 and are transferred entirely to support the Domestic Violence Center Fund in FY 2014-15. The Domestic Violence Center Fund provides funding related to domestic violence across the State. In FY 2011-12, the Displaced Homemakers Program Fund received \$1.8 million from the fee. The following receipt supported positions are eliminated:

- 60089848 Community Development Specialist I
- 65003391 Processing Assistant IV

(S.L. 2013-360, Sec. 30.2; S.L. 2013-363, Sec. 7.1, Modification/2013 Appropriation Act delayed transfer of funds to the Domestic Violence Center Fund to 30 days after passage of S.L. 2013-360)

**1741 - Human Relations Commission**

**47 Consolidation**

(\$178,521)	R	(\$178,521)	R
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Consolidates staff functions by reducing the Human Relations Commission by three FTEs.

-3.00		-3.00	
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**1771 - Division of Veterans Affairs**

**48 Veterans Affairs ITS Consolidation**

\$115,000	R	\$115,000	R
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Provides funding to complete the Information Technology Services consolidation for the Division of Veterans Affairs field offices.

\$68,000	NR
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**1810 - State Ethics Commission**

**49 Position Funding**

Uses receipts from the Highway Fund to fund one new paralegal position in the State Ethics Commission.

Paralegal \$55,146

(This transfer also appears in the Transportation section of the Committee Report. See page K-8, Item 50.)

**50 Operating Expenses**

Achieves savings by reducing various operating accounts.

(\$22,434) R (\$22,434) R

**1861 - Commission of Indian Affairs**

**51 Commission of Indian Affairs Consolidation**

Eliminates a vacant Administrative Assistant II position (60013923) at the Commission of Indian Affairs.

(\$34,444) R (\$34,444) R

-0.75 -0.75

**1900 - Reserves and Transfers**

**52 Reserve and Transfer Reduction**

Eliminates an unnecessary appropriation within the Reserve and Transfer budget.

(\$32,942) R (\$32,942) R

**Agency Wide**

**53 Operations Reductions**

Eliminates a vacant Human Services Planner/Evaluator IV position (65010199) and reduces various operating line items including: supplies, facility and hardware, motor vehicle replacement parts, furniture equipment, and contracted services, within the Department.

(\$286,119) R (\$286,119) R

-1.00 -1.00

**Office of State Personnel**

**54 Operations**

Reduces funds from various operating line items including: supplies, office furniture, office equipment, computer/data processing services, travel, and other contracted services within the Office of State Personnel.

(\$175,964) R (\$175,964) R

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**Total Legislative Changes**

\$270,692 R \$151,584 R  
 (\$1,020,659) NR (\$1,346,543) NR

**Total Position Changes**

5.10 3.10

**Revised Budget**

**\$67,567,025 \$67,047,033**

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Reserve for E-Commerce Initiative (2514)

Budget Code: 24100

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$15,318,833</b>	<b>\$8,988,589</b>
<b>Recommended Budget</b>		
Requirements	<b>\$19,278,000</b>	<b>\$19,278,000</b>
Receipts	<b>\$19,278,000</b>	<b>\$19,278,000</b>
Positions	<b>0.00</b>	<b>0.00</b>

**Legislative Changes**

**Requirements:**

<b>E-Commerce Fund Transfer</b>	\$0 R	\$0 R
Transfers \$5,111,585 in FY 2013-14 and \$6,000,000 in FY 2014-15 to general availability.	\$5,111,585 NR	\$6,000,000 NR
	0.00	0.00
(S.L. 2013-360, Sec. 2.2(e))		
 <b>Purchase and Contract Use of E-Commerce Reserve</b>	 \$0 R	 \$0 R
Utilizes the E-Commerce Reserve to support operations within the Division of Purchase and Contract. Funds from the Reserve are to be transferred to the Division (1511) to support recurring operating requirements.	\$1,218,659 NR	\$1,476,543 NR
	0.00	0.00
(S.L. 2013-360, Sec. 30.5)		
 <b>Subtotal Legislative Changes</b>	 <b>\$0 R</b>	 <b>\$0 R</b>
	<b>\$6,330,244 NR</b>	<b>\$7,476,543 NR</b>
	0.00	0.00

**Receipts:**

<b>E-Commerce Funds Transfer</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
<b>E-Commerce Funds Transfer</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR
<b>E-Commerce Funds Transfer</b>	\$0 R	\$0 R
	\$0 NR	\$0 NR
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>
<hr/>		
<b>Revised Total Requirements</b>	<b>\$25,608,244</b>	<b>\$26,754,543</b>
<b>Revised Total Receipts</b>	<b>\$19,278,000</b>	<b>\$19,278,000</b>
<b>Change in Fund Balance</b>	<b>(\$6,330,244)</b>	<b>(\$7,476,543)</b>
<b>Total Positions</b>	<b>0.00</b>	<b>0.00</b>
<hr/>		
<b>Unappropriated Balance Remaining</b>	<b>\$8,988,589</b>	<b>\$1,512,046</b>

# Special Provisions

## 2012 Session: SB 402

**Department:** (15.0) Administration

Section: 30.1

**Title: REQUIRE CONTINUATION REVIEW OF THE YOUTH ADVOCACY AND INVOLVEMENT OFFICE**

**Summary** Requires a continuation review of the Youth Advocacy Office. The report is due to the House Appropriations Subcommittee on General Government and the Senate Appropriations Committee on General Government and Information Technology by March 31, 2014.

Section: 30.2

**Title: ELIMINATE DISPLACED HOMEMAKER PROGRAM/FUND**

**Summary** Amends G.S. 7A-305(a2) Part 10B of G.S. 143B to eliminate the Displaced Homemakers Program and Fund over a two year period and increase funds to the Domestic Violence Center Fund and Program . A \$75 fee is charged to each divorce filing in the State. Proceeds of the fee were distributed to the Displaced Homemakers Fund and the Domestic Violence Center Fund, who received 73 percent and 27 percent of the proceeds of the fee, respectively. For FY 2013-14, the Displaced Homemakers Fund will receive 47 percent of fee proceeds and the Domestic Violence Center Fund will receive 53 percent of fee proceeds in FY 2013-14. The Domestic Violence Center Fund will receive the entire proceeds of the fee in FY 2014-15 and the Displaced Homemakers Fund and Program will be eliminated.

(S.L. 2013-363, Sec. 7.1, Modifications/2013 Appropriations Act amends Sec. 30.2 to change the effective date of the fee change to 30 days after the passage of S.L. 2013-360)

Section: 30.3

**Title: REPEAL STATEWIDE CAPITAL RESERVE**

**Summary** Repeals S.L. 2011-145, Sec. 20.4, Appropriations Act of 2011, that created a reserve within the Office of State Budget and Management funded from contingency reserves in State capital projects and used it to fund positions in the Office of State Construction for oversight of capital projects.

Section: 30.4

**Title: BIENNIAL REVIEW OF STATEMENTS OF ECONOMIC INTEREST BY SEC**

**Summary** Amends G.S. 138A-10(a)(4) to direct the State Ethics Commission to review most Statement of Economic Interest (SEI) forms every two years instead of every year.

Section: 30.5

**Title: USE OF E-COMMERCE FUNDS FOR PURCHASE AND CONTRACT OPERATIONS**

**Summary** Notwithstands G.S. 66-58.12(c) to allow funds from the E-Commerce Reserve to be used to support operations of the Division of Purchase and Contract.



Section: 30.6

Title: **STUDY/E-PROCUREMENT FEE & VENDOR CONTRACT**

Summary Requires the Department of Administration (DOA) to study the E-Procurement Fee and Vendor Contract and report back to the House Appropriations Subcommittee on General Government, Senate Appropriations Committee on General Government and Information Technology, Joint Legislative Committee on Information Technology, and Office of State Budget and Management by Feb. 1, 2014. DOA is directed to provide information on the E-Procurement System and fee charges on purchases through the system, and evaluate options for reducing or eliminating the fee.

Subsection (b) requires that any extension of a contract with an outside vendor supporting the E-Procurement System be handled through an open procurement through the Enterprise Project Management Office and the Statewide Information Technology Procurement Office.

## **Special Provisions**

**2012 Session: HB 112**

**Department:** (15.0) Administration

Section: 1

Title: **BUDGET CHANGE: ELIMINATE DISPLACED HOMEMAKER PROGRAM/FUND**

Summary Amends S.L. 2013-360, Sec. 30.2, Appropriations Act of 2013, to delay the effective date of the change in fee distribution to 30 days after the passage of S.L. 2013-360, Appropriations Act of 2013.

(16.0) Housing Finance Agency

GENERAL FUND

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$9,408,417</b>		<b>\$9,408,417</b>	
<b>Legislative Changes</b>				
<b>1100 - HOME Match</b>				
<b>55 HOME Match Reduction</b>	(\$120,000)	R	(\$120,000)	R
Reduces the State match for the HOME program due to reductions in federal funding.				
<b>1100 Housing Trust Fund</b>				
<b>56 Housing Trust Fund</b>	(\$876,785)	NR	(\$876,785)	NR
Reduces the General Fund appropriation to the Housing Trust Fund to \$7,000,000 for each year of the FY 2013-15 Biennium.				
<b>Total Legislative Changes</b>	<b>(\$120,000)</b>	<b>R</b>	<b>(\$120,000)</b>	<b>R</b>
	<b>(\$876,785)</b>	<b>NR</b>	<b>(\$876,785)</b>	<b>NR</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$8,411,632</b>		<b>\$8,411,632</b>	

# Special Provisions

2012 Session: SB 402

**Department:** (16.0) Housing Finance Agency

Section:

Title: NO SPECIAL PROVISIONS

Summary

(17.0) Office of Administrative Hearings

GENERAL FUND

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$4,335,464</b>		<b>\$4,350,431</b>	
<b>Legislative Changes</b>				
<b>1100 - Civil Rights Division</b>				
<b>57 Vacant Civil Rights Position and Contractual Services</b>	(\$82,845)	R	(\$82,845)	R
Eliminates a vacant Civil Rights Investigator position (60088609) in the Civil Rights Division and reduces contractual services (532199).	-1.00		-1.00	
<b>1100 - Hearings Division</b>				
<b>58 Staffing for Hearings Division</b>	\$194,687	R	\$194,687	R
Increases staffing for the Hearings Division in order to meet increased case filings. The increased funding will provide for one Administrative Law Judge and one Law Clerk.	\$10,388	NR		
	2.00		2.00	
<b>59 Case Management System</b>	\$109,850	R	\$110,308	R
Provides funding to fully implement the AMCAD case management system. This system will reduce paper filing, clerical entry, and mail processing.	\$160,000	NR	\$80,000	NR
<b>1100 Rules Review Division</b>				
<b>60 Regulatory Reform</b>	\$349,549	R	\$349,549	R
Provides funds to implement regulatory reform within the Rules Review Division. The funding will create four new positions that are needed for additional review, reporting, and publication requirements required under regulatory reform. There is additional funding for information technology upgrades. The positions created are as follows: two Attorneys, one Paralegal II, and one Administrative Assistant. (S.L. 2013-413, H.B. 74)	\$164,550	NR	\$25,000	NR
	4.00		4.00	
<b>Total Legislative Changes</b>	<b>\$571,241</b>	<b>R</b>	<b>\$571,699</b>	<b>R</b>
	<b>\$334,938</b>	<b>NR</b>	<b>\$105,000</b>	<b>NR</b>
<b>Total Position Changes</b>	5.00		5.00	
<b>Revised Budget</b>	<b>\$5,241,643</b>		<b>\$5,027,130</b>	

## Special Provisions

**2012 Session: SB 402**

**Department:** (17.0) Office of Administrative Hearings

Section:

Title: **NO SPECIAL PROVISIONS**

Summary

## Special Provisions

**2012 Session: HB 74**

**Department:** (17.0) Office of Administrative Hearings

Section:

Title: **S.L. 2013-413, Regulatory Reform Act of 2013, (H.B. 74)**

Summary Amends Article 2A of 150B to change the State rulemaking process to create a review process for existing rules within the State. The process will be coordinated and overseen by the Rules Review Commission (RRC) within the Office of Administrative Hearings (OAH). With certain exceptions, each rule that has not been reviewed by the responsible agency and the Commission will expire within 10 years of the review as established by the RRC.

(18.0) Treasurer

GENERAL FUND

	FY 13-14		FY 14-15	
<b>Continuation Budget</b>	<b>\$6,851,090</b>		<b>\$6,851,090</b>	
<b>Legislative Changes</b>				
<b>1210 - Investment Division</b>				
<b>61 Operating Reduction to Investment Division</b>	(\$45,416)	R	(\$45,416)	R
Eliminates the appropriated position reserve (537199) for Investment Directors and Chief Investment Officer.				
<b>1310 - Local Government Division</b>				
<b>62 State and Local Government Automation Project</b>				
Authorizes the use of receipts for the State and Local Government Automation Project. This project is a multi-year effort to replace outdated information systems used by local government units. Project components include infrastructure upgrades, audit package with document management capabilities, modernization of Annual Financial Information Reporting (AFIR) process, and implementation of audit software. The Automation Project is funded from fees paid by local governments for debt issuance. The first phase of this project was authorized in FY 2011-12. The nonrecurring costs for this project are \$1,048,200 for FY 2013-14. There will be additional recurring costs of \$200,419.				
<b>1510 - Financial Operations Division</b>				
<b>63 Reduction to Operating Funds in Financial Operations Division</b>	(\$133,221)	R	(\$133,221)	R
Reduces transfers to the Information Management Division by \$70,000 (538175) to reflect change in the allocation formula, and reduces miscellaneous contractual services (532199) by \$25,000. In addition, a vacant Banking Specialist position (60009292) is eliminated. The position has been vacant over three years.				
	-1.00		-1.00	
<b>64 Core Banking System Upgrade</b>	\$1,111,585	NR		
Provides nonrecurring funds for the upgrade of the State's Core Banking System. Appropriations to the Division for this item will not be subject to G.S. 147-68.1.				
<b>65 Operation of State Core Banking System</b>	\$353,852	R	\$353,852	R
Allows the Financial Operations Division to access funds under management to fund the operations of the upgraded State's Core Banking System Upgrade. Appropriations to the Division will be reimbursed in accordance with G.S. 147-68.1.				

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<b>Total Legislative Changes</b>	<b>\$175,215</b>	<b>R</b>	<b>\$175,215</b>	<b>R</b>
	<b>\$1,111,585</b>	<b>NR</b>		
<b>Total Position Changes</b>	<b>-1.00</b>		<b>-1.00</b>	
<b>Revised Budget</b>	<b>\$8,137,890</b>		<b>\$7,026,305</b>	

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# Special Provisions

2012 Session: SB 402

**Department:** (18.0) Treasurer

Section:

Title: NO SPECIAL PROVISIONS

Summary



(19.0) Fire Rescue Nat Guard Pensions & LDD Benefits

GENERAL FUND
--------------

	FY 13-14	FY 14-15
Continuation Budget	\$23,179,042	\$23,179,042

**Legislative Changes**

**1412 - Fire Pension**

**66 General Fund Fire Contribution**

Provides the General Fund contribution to the Firemen's Pension Fund. The payment of these pension benefits is made pursuant to Article 86 of G.S. 58. The amount of the recurring General Fund contribution in the continuation budget is \$14,015,734.

**1413 - Rescue Squad**

**67 General Fund Contribution to the Rescue Squad Workers Pension Fund**

Provides the General Fund contribution to the Rescue Squad Workers' Pension Fund. The payment of these pension benefits is made pursuant to Article 86 of G.S. 58. The amount of the recurring General Fund contribution in the continuation budget is \$1,430,865. The appropriation is reduced by \$820,000 relative to the continuation budget in order to align with the Annual Required Contribution in the June 30, 2012 actuarial valuation. This reduction appears in a corresponding money item in the Statewide Reserves section of the Committee Report.

(This item was reduced in the Statewide Reserves section of the Committee Report. See Page L2, Item 9)

**1414 - National Guard**

**68 General Fund Contribution to National Guard**

Provides the General Fund contribution to the National Guard Pension Fund. The payment of these pension benefits is made pursuant to G.S. 127A-40. The amount of the recurring General Fund contribution to the fund is \$7,007,443.

**1432 - Line of Duty Death Benefits**

**69 General Fund Contribution to Line of Duty Death Benefits**

Provides the General Fund contribution to the Line of Duty Death Benefits Fund. The Fund provides benefits to families of certain public servants who die in the line of duty. The payment of these death benefits is made pursuant to G.S. 143-12A. The amount of the recurring General Fund contribution to the fund is \$725,000.

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**Total Legislative Changes**

Total Position Changes

Revised Budget

\$23,179,042

\$23,179,042

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# Special Provisions

2012 Session: SB 402

**Department:** (19.0) Fire Rescue Nat Guard Pensions & LDD Benefits

Section:

Title: NO SPECIAL PROVISIONS

Summary

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# **Transportation**

## **Section K**

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# Highway Fund

HIGHWAY FUND
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	FY 13-14	FY 14-15
<b>Recommended Budget</b>	<b>\$1,696,197,124</b>	<b>\$1,692,322,459</b>

**Legislative Changes**

**Adjustments to Availability**

**1 Inspection Program Account & Telecommunications Account**

Appropriates \$10.5 million of accumulated unencumbered fund balance in accordance with the elimination of the Inspection Program Account and Telecommunications Account upon completion of the Motor Vehicle Inspection and Law Enforcement System (MILES) information technology project. Projected recurring revenues from the consolidation of the Inspection (\$3.00) and Telecommunications (\$1.75) electronic authorization fees total \$23.6 million in FY 2013-14 and \$21.6 million in FY 2014-15. (S.L. 2013-360, Sec. 34.15)

**2 Division of Motor Vehicles Technology Improvement Account**

Appropriates \$4.55 million of accumulated unencumbered fund balance in accordance with the elimination of the Technology Improvement Account. Additional recurring revenues to the Highway Fund total \$634,000. (S.L. 2013-360, Sec. 34.16)

**3 Access and Public Service Road Program**

Appropriates \$4,843,441 of accumulated unencumbered fund balance from the Access and Public Service Road Program. (S.L. 2013-360, Sec. 34.6)

**4 Division Small Urban Construction Program**

Appropriates \$21,914,410 of accumulated unencumbered fund balance from the Division Small Urban Construction Program. (S.L. 2013-360, Sec. 34.4)

**5 Contingency Fund**

Appropriates \$27,060,083 of accumulated unencumbered fund balance from the Contingency Fund. (S.L. 2013-360, Sec. 34.4)

**6 Economic Development Program**

Appropriates \$3,346,215 of accumulated unencumbered fund balance within the Economic Development Program for qualifying projects to be used in FY 2013-14. (S.L. 2013-360, Sec. 34.7)

**7 Shallow Draft Navigation Channel Dredging Fund**

Reduces Highway Fund revenue by \$2,280,350 in FY 2013-14 and \$2,193,500 in FY 2014-15 to reflect the crediting of one-sixth of one percent (1/6 of 1%) of motor fuel tax revenue to the Shallow Draft Navigation Channel Dredging Fund. (S.L. 2013-360, Sec. 14.22)

**8 Registration Fee for Electric Vehicles**

Increases Highway Fund revenues by \$60,000 in FY 2013-14 and \$120,000 in FY 2014-15 based on the implementation of a \$100 surcharge on registration fees for electric vehicles. (S.L. 2013-360, Sec. 34.21)

**9 Freight Rail & Rail Crossing Safety Improvement Fund**

Increases Highway Fund availability to reflect dividend payments issued by the North Carolina Railroad Company during the 2013-15 fiscal biennium. Estimated receipts total \$19.2 million in FY 2013-14 and \$3.75 million in FY 2014-15. (S.L. 2013-360, Sec. 34.14)

**10 Motor Fuels Tax**

Reduces Highway Fund revenue by \$1,837,500 in FY 2013-14 per implementation of a cap on the motor fuels excise tax rate of 37.5 cents per gallon. (S.L. 2013-316, Sec. 8)

**Administration**

**11 Facility Security**

\$303,896 R \$303,896 R

Appropriates recurring funds to maintain the existing level of contract security at seven DOT buildings, as recommended in the Governor's Budget. Funds were previously allocated from the year-end credit balance within the Highway Fund for this purpose.

**12 Fiscal Section - Appalachian Regional Commission**

\$278,099 R \$278,099 R

Appropriates funding for the Department's share of the Appalachian Regional Commission Assessment, as recommended in the Governor's Budget. Funds were previously allocated from the Highway Fund year-end credit balance for this purpose.

**13 Occupational Safety and Health (OSHA) Program**

(\$7,455) R (\$7,455) R

Reduces funding for the Occupational Safety and Health Administration (OSHA) Program, leaving \$365,337, as recommended in the Governor's Budget.

**14 DOT-IT - Mainframe Application Modernization**

\$8,832,000 NR \$5,000,000 R  
\$8,798,400 NR

Appropriates funds to advance the development and implementation of replacement systems for Division of Motor Vehicles mainframe applications, including the State Titling and Registration System (STARS), State Automated Driver License System (SADLS), and Liability Insurance Tracking and Enforcement System (LITES). Funds are authorized for the procurement of contractual services, hardware and software for these replacement efforts.



**15 Fiscal Section - Combined Registration and Tax Collection System**

Authorizes three additional receipt-supported positions to administer the collection of registration fees and property taxes upon implementation of the Combined Motor Vehicle Registration and Property Tax Collection System. Budgeted receipts are increased by \$189,278 recurring in FY 2013-14 and \$189,372 recurring in FY 2014-15. Costs incurred for project administration are supported by the administrative fee authorized in G.S. 105-330.5(b) and determined pursuant to the Memorandum of Understanding between the Department of Revenue and Division of Motor Vehicles, as required by G.S. 105-330.11. Total budgeted receipts for Fiscal Section project administration are \$634,702 in FY 2013-14 and \$634,796 in FY 2014-15.

**16 DOT-IT - Combined Registration and Tax Collection System**

Authorizes two additional receipt-supported positions to support and maintain the Combined Motor Vehicle Registration and Property Tax Collection System. Budgeted receipts are increased by \$240,296 recurring and \$232,750 nonrecurring in FY 2013-14, and are reduced by \$1,767,963 in FY 2014-15 per project close-out. Costs incurred for project administration are supported by the administrative fee authorized in G.S. 105-330.5(b) and determined pursuant to the Memorandum of Understanding between the Department of Revenue and Division of Motor Vehicles, as required by G.S. 105-330.11. Total budgeted receipts for DOT-IT project administration are \$4,831,480 in FY 2013-14 and \$2,861,062 in FY 2014-15.

**17 Departmental Staffing Efficiencies**

Eliminates 100 vacant positions across the Department in FY 2013-14 and a total of 400 vacant positions by FY 2014-15. Of these, the Department shall eliminate a minimum of 17 vacant administrative positions in FY 2013-14 and 34 vacant administrative positions by FY 2014-15, for a recurring savings of \$2,113,406.

(\$1,056,703)	R	(\$2,113,406)	R
-17.00		-34.00	

**Aid to Municipalities**

**18 State Aid to Municipalities**

Appropriates additional funding based on the consolidation of State Aid to Municipalities/Powell Bill allocations within the Highway Fund. Budgeted funds total \$142,102,740 for FY 2013-14 and \$136,874,010 for FY 2014-15. (S.L. 2013-183, Sec. 3.1)

\$53,216,442	R	\$48,165,484	R
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**Capital, Repairs & Renovations**

**19 Repairs & Renovations**

Appropriates funds for repairs and renovations to Department of Transportation owned facilities during the 2013-15 fiscal biennium.

\$3,532,900	NR	\$2,792,000	NR
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**20 Capital Improvements**

Appropriates nonrecurring funds for capital improvement projects included in the Department of Transportation's 2013-2019 Capital Improvements Plan.

\$14,522,600 NR \$17,145,700 NR

**Construction**

**21 Secondary Road Construction and Unpaved Secondary Road Paving Programs**

(\$76,886,298) R (\$76,708,526) R

Reduces funding for the Secondary Road Construction Program in FY 2013-14 and eliminates the program in FY 2014-15. The fund will be renamed in FY 2014-15 to the Unpaved Secondary Road Paving Program. The total budget is \$27.0 million in FY 2013-14 and \$12.0 million in FY 2014-15. The Department will allocate \$12.0 million recurring beginning in FY 2013-14 for the paving of unpaved secondary roads based on the statewide prioritization list. (S.L. 2013-183, Sec. 2.6)

\$15,000,000 NR

**22 Division Small Urban Construction**

(\$7,000,000) R (\$7,000,000) R

Eliminates recurring funding for the Division Small Urban Construction Program and appropriates \$5.0 million nonrecurring in FY 2013-14 and FY 2014-15. (S.L. 2013-360, Sec. 34.4)

\$5,000,000 NR \$5,000,000 NR

**23 Access and Public Service Road Program**

(\$35,178) R (\$35,178) R

Reduces funding for the Access and Public Service Roads Program by 2%, leaving \$1,723,707, as recommended in the Governor's Budget.

**24 Economic Development Program Fund**

Appropriates \$3,846,215 nonrecurring in FY 2013-14 and \$4,036,171 nonrecurring in FY 2014-15 to the Economic Development Program for qualifying projects. From these funds, \$500,000 is allocated in FY 2013-14 to support costs incurred for the study directed by Section 34.23. (S.L. 2013-360, Sec. 34.7; S.L. 2013-360, Sec. 34.23)

\$3,846,215 NR \$4,036,171 NR

**Division of Motor Vehicles**

**25 Customer Service Improvement Initiative**

\$889,782 R \$963,829 R

Appropriates funds to support part-time personnel, utilities, and other operating costs associated with the provision of extended weekday and Saturday hours of operation at 20 driver license offices during FY 2013-14, increasing to 30 offices by FY 2014-15, as recommended in the Governor's Budget.

\$540,683 NR

Nonrecurring funds are appropriated for the training of new personnel and to replace three digital scanners which are no longer supported by the manufacturer.

**26 Credit/Debit Transaction Costs**

\$6,646,233 R \$7,975,480 R

Appropriates funds to support transaction costs incurred for the acceptance of credit and debit card payments for registration, title, and highway use tax transactions.

**27 Combined Registration and Tax Collection System**

Continues funding for a total of 79 receipt-supported positions authorized by S.L. 2012-142, Sec. 24.10, of which 58 are time-limited, to administer the Combined Motor Vehicle Registration and Property Tax Collection System. Fifty-four of these authorized time-limited positions shall terminate no later than June 30, 2015. Vehicle Services personnel are responsible for system training, transaction and document processing, and resolution of branch agent and customer service requests.

Budgeted receipts are increased by \$8,151,788 in FY 2013-14 and \$10,460,702 in FY 2014-15. Costs incurred for project administration are supported by the administrative fee authorized in G.S. 105-330.5(b) and determined pursuant to the Memorandum of Understanding between the Department of Revenue and Division of Motor Vehicles, as required by G.S. 105-330.11. Total budgeted receipts for DMV project administration are \$11,591,432 in FY 2013-14 and \$11,423,636 in FY 2014-15. Funding is reduced by \$167,796 in FY 2014-15 due to the elimination of four positions responsible for initial training activities.

**28 Combined Registration and Tax Collection System - Receipts**

(\$4,003,372) R (\$4,332,415) R

Reduces funding to account for additional receipts derived from compensation for property tax transactions performed by the Division of Motor Vehicles and from the administrative fee for the production of combined registration renewal notices and vehicle property tax bills (G.S. 105-330.5(b)). Receipts budgeted within Vehicle Services (Fund Center 1500/157055) are increased by \$1,645,215 in FY 2013-14 and \$1,974,258 in FY 2014-15, and will partially offset costs incurred for credit/debit transactions. Receipts budgeted within General Services (Fund Center 1500/157030) are increased by \$2,358,157 recurring. (S.L. 2013-372, Sec. 2)

**29 Inspection Program**

\$15,440,537 R \$15,440,537 R

Increases funding to support the costs of administering the Inspection Program per the elimination of the Inspection Program Account and Telecommunications Account. Receipt-supported functions are converted to Highway Fund appropriation. Recurring funding for the Inspection Program (Fund Center 1500/150054) is increased by \$8,964,895, for a total Program budget of \$12,158,854 recurring. Receipts budgeted for split-funded positions within the License and Theft Bureau (Fund Center 1500/157060) are reduced by \$6,475,642. (S.L. 2013-360, Sec. 34.15)

**Intermodal**

**30 Aviation Division - Economic Development**

Appropriates \$6.5 million in nonrecurring funds for aviation-related economic development projects.

\$6,500,000 NR

**FY 13-14**

**FY 14-15**

<p><b>31 Aviation Division - State Aid to Airports</b>                  Reduces funding for grants to airports to \$20.0 million recurring, a reduction of \$2,311,031 from the FY 2012-13 Certified Budget. Amounts shown represent adjustments relative to the Continuation Budget for the 2013-15 fiscal biennium, in accordance with the repeal of G.S. 136-16.4. (S.L. 2013-360, Sec. 34.9)</p>	<p>\$31,627 R</p>	<p>\$2,128,306 R</p>
<p><b>32 Public Transportation Division - High Point Furniture Market</b>                  Increases assistance for transit services associated with the High Point Furniture Market to \$1.2 million recurring.</p>	<p>\$200,000 R</p>	<p>\$200,000 R</p>
<p><b>33 Ferry Division - Operating Efficiencies</b>                  Reduces funding for Ferry Division operations by 2%, as recommended in the Governor's Budget.</p>	<p>(\$820,763) R</p>	<p>(\$820,763) R</p>
<p><b>34 Ferry Division - Operations</b>                  Appropriates funds to offset the shifting of toll revenue to reserve accounts for capital improvements to the North Carolina Ferry System. Toll revenue previously offset recurring operating and maintenance costs. (S.L. 2013-360, Sec. 34.13)</p>	<p>\$5,000,000 R</p>	<p>\$5,000,000 R</p>
<p><b>35 Ferry Division - Spoil Site Capacity</b>                  Appropriates nonrecurring funds to re-establish capacity at spoil sites at Fort Fisher (\$100,000), Southport (\$150,000), Cherry Branch (\$400,000), and Swan Quarter (\$500,000), as recommended in the Governor's Budget.</p>	<p>\$1,150,000 NR</p>	
<p><b>36 Rail Division - Operations</b>                  Reduces funding for Rail Division programs by 2%, as recommended in the Governor's Budget.</p>	<p>(\$424,023) R</p>	<p>(\$424,023) R</p>
<p><b>37 Rail Division - Infrastructure Assistance Programs</b>                  Eliminates funding for the Rail Industrial Access Program and Short Line Infrastructure Assistance Program. Eligible projects may qualify for funding through the Freight Rail and Rail Crossing Safety Improvement Fund. (S.L. 2013-360, Sec. 34.14)</p>	<p>(\$519,000) R</p>	<p>(\$519,000) R</p>
<p><b>38 Rail Division - Freight Rail &amp; Rail Crossing Safety Improvement Fund</b>                  Appropriates receipts from dividend payments issued by the North Carolina Railroad Company. Funds shall be used for the enhancement of freight rail service and railroad-roadway crossing safety improvements, including projects which improve access to industrial, port, and military facilities. A total of \$19.2 million is budgeted in FY 2013-14 and \$3.75 million in FY 2014-15 from estimated dividend payments. (S.L. 2013-360, Sec. 34.14)</p>	<p>\$3,700,000 R  \$15,500,000 NR</p>	<p>\$3,750,000 R</p>

	FY 13-14		FY 14-15	
<b>39 Division of Bicycle &amp; Pedestrian Transportation - Planning Grants</b>	(\$129,447)	R	(\$129,447)	R
Reduces funding for the Regional Bicycle Planning Grant Program to \$250,000 recurring. (S.L. 2013-360, Sec. 34.12)				
<b>Maintenance</b>				
<b>40 Primary System</b>	(\$16,255,309)	R	(\$15,829,611)	R
Reduces funding for the Primary System Maintenance Program, leaving \$147,097,510 in FY 2013-14 and \$147,523,208 in FY 2014-15.				
<b>41 Secondary Road Maintenance and Improvement Program</b>	(\$12,406,635)	R	(\$9,418,088)	R
Reduces funding to the Secondary Road Maintenance and Improvement Program, leaving \$270,593,678 in FY 2013-14 and \$273,582,225 in FY 2014-15.				
<b>42 System Preservation</b>	(\$500,000)	R	(\$1,400,000)	R
Reduces funding for the System Preservation Program, consistent with new revenue estimates and G.S. 119-18(b).				
<b>43 Reserve for General Maintenance</b>	\$51,989,914	R	\$7,760,538	R
Increases funding for the Reserve for General Maintenance, as recommended in the Governor's Budget. Budgeted funds total \$89,790,226 for FY 2013-14 and \$45,560,850 for FY 2014-15.				
<b>44 Contract Resurfacing</b>	\$145,288,396	R	\$127,538,435	R
Increases funding for the Contract Resurfacing Program. Budgeted funds total \$433,462,800 for FY 2013-14 and \$402,423,088 for FY 2014-15.				
	\$13,289,751	NR		
<b>45 System Preservation</b>	\$100,771,279	R	\$74,779,855	R
Increases funding for the System Preservation Program. Budgeted funds total \$179,599,774 for FY 2013-14 and \$153,008,350 for FY 2014-15. (S.L. 2013-360, Sec. 34.3)				
<b>Reserves</b>				
<b>46 State Health Plan</b>	\$1,700,000	R	\$4,450,000	R
Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the Highway Fund for the 2013-15 fiscal biennium.				
<b>47 State Retirement System Contributions</b>	\$1,121,000	R	\$1,121,000	R
Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2013-15 biennium to fund the Annual Required Contribution.				
<b>48 Reserve for Future Benefit Needs</b>			\$1,745,000	R
Creates a reserve for increased contributions to existing employee benefits programs.				

**Transfers**

**49 Department of Public Instruction - Driver Education Program** (\$1,709,142) R (\$1,701,923) R  
 Reduces funds for transfer to the Department of Public Instruction in accordance with an authorized increase to the optional driver education fee, from \$45.00 to \$55.00 per participating student. Estimates adjust for projected increases in 9th grade average daily membership (ADM) and eligible private and federal school students over the 2013-15 fiscal biennium. Transfers total \$26,138,808 for FY 2013-14 and \$26,682,132 for FY 2014-15. (S.L. 2013-360, Sec. 34.20)

**50 State Ethics Commission** \$55,146 R \$55,146 R  
 Transfers \$55,146 to the State Ethics Commission to support a Paralegal position for the implementation of S.L. 2013-156. (S.L. 2013-156)

(This transfer also appears in the General Government section of the Committee Report. See page J37, Item 49.)

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<b>Total Legislative Changes</b>	<b>\$264,879,026</b>	<b>R</b>	<b>\$186,215,770</b>	<b>R</b>
	<b>\$87,714,149</b>	<b>NR</b>	<b>\$37,772,271</b>	<b>NR</b>
<b>Total Position Changes</b>	-17.00		-34.00	
<b>Revised Budget</b>	<b>\$2,048,790,299</b>		<b>\$1,916,310,500</b>	

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# Highway Trust Fund

HIGHWAY TRUST FUND
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Recommended Budget	FY 13-14		FY 14-15	
	\$1,118,600,000		\$1,152,000,000	
<b>Legislative Changes</b>				
<b>Adjustments to Availability</b>				
<b>51 Motor Fuels Tax</b>				
Reduces Highway Trust Fund revenue by \$612,500 in FY 2013-14 per implementation of a cap on the motor fuels excise tax rate of 37.5 cents per gallon. (S.L. 2013-316, Sec. 8)				
<b>Administration</b>				
<b>52 Administration</b>				
	(\$8,008,320)	R	(\$9,611,520)	R
Eliminates the statutory adjustment to Administration and holds funding at the FY 2012-13 Certified budget amount. (S.L. 2013-183, Sec. 4.8)				
<b>Aid to Municipalities</b>				
<b>53 Aid to Municipalities</b>				
	(\$56,072,216)	R	(\$58,054,337)	R
Eliminates the Highway Trust Fund allocation to the Aid to Municipalities program and transfers funds to the Strategic Prioritization Program. The Highway Fund allocation to the Aid to Municipalities program is increased to hold municipalities harmless over a five-year period. (S.L. 2013-183, Sec. 4.8)				
<b>Construction</b>				
<b>54 Strategic Prioritization Program</b>				
	\$930,926,530	R	\$950,101,672	R
Appropriates funding for highway and intermodal capital projects funded through the Highway Trust Fund per the new Strategic Prioritization Funding Plan for Transportation Investments. (S.L. 2013-183, Sec. 4.8)				
<b>55 Intrastate System</b>				
	(\$515,520,933)	R	(\$530,210,557)	R
Eliminates the Intrastate System program and transfers funds to the Strategic Prioritization Program. (S.L. 2013-183, Sec. 4.8)				
<b>56 Mobility Fund</b>				
	(\$58,000,000)	R	(\$58,000,000)	R
Eliminates the Mobility Fund program and transfers funds to the Strategic Prioritization Program. (S.L. 2013-183, Sec. 4.9)				
<b>57 Secondary Roads</b>				
	(\$78,972,723)	R	(\$86,253,540)	R
Eliminates the Secondary Road program and transfers funds to the Strategic Prioritization Program. (S.L. 2013-183, Sec. 4.8)				

**58 Urban Loops**

(\$164,864,838) R (\$191,571,718) R

Eliminates the Urban Loops program and transfers funds to the Strategic Prioritization Program. (S.L. 2013-183, Sec. 4.8)

**Turnpike Authority**

**59 Gap Funding**

(\$63,000,000) R (\$63,000,000) R

Eliminates gap funding in the amounts of \$35 million for the Garden Parkway and \$28 million for the Mid-Currituck Bridge projects. The projects are eligible to compete for funding based on the prioritization process established under the Strategic Prioritization Funding Plan for Transportation Improvements. (S.L. 2013-183, Sec. 4.8)

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**Total Legislative Changes**

(\$13,512,500) R (\$46,600,000) R

**Total Position Changes**

**Revised Budget**

**\$1,105,087,500**      **\$1,105,400,000**

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# Turnpike Authority

Budget Code: 64208

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$0</b>	<b>\$0</b>
<b>Recommended Budget</b>		
Requirements	<b>\$151,879,602</b>	<b>\$1,404,739,602</b>
Receipts	<b>\$151,879,602</b>	<b>\$1,404,739,602</b>
Positions	<b>22.00</b>	<b>22.00</b>

**Legislative Changes**

**Requirements:**

<b>Departmental Staffing Efficiencies</b>	(\$153,884) R	(\$153,884) R
Eliminates two vacant receipt-supported positions within the Turnpike Authority. Recurring savings total \$153,884.	\$0 NR	\$0 NR
	-2.00	-2.00
<b>Subtotal Legislative Changes</b>	<b>(\$153,884) R</b>	<b>(\$153,884) R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>
	-2.00	-2.00

**Receipts:**

<b>Departmental Staffing Efficiencies</b>	(\$153,884) R	(\$153,884) R
Reduces budgeted receipts per the elimination of two vacant positions.	\$0 NR	\$0 NR
<b>Subtotal Legislative Changes</b>	<b>(\$153,884) R</b>	<b>(\$153,884) R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
<b>Revised Total Requirements</b>	<b>\$151,725,718</b>	<b>\$1,404,585,718</b>
<b>Revised Total Receipts</b>	<b>\$151,725,718</b>	<b>\$1,404,585,718</b>
<b>Change in Fund Balance</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Positions</b>	<b>20.00</b>	<b>20.00</b>
<b>Unappropriated Balance Remaining</b>	<b>\$0</b>	<b>\$0</b>

# Special Provisions

## 2013 Session: HB 112

**Department:** Transportation

Section: 8.1

**Title:** BUDGET CHANGE: EFFECTIVE DATE FOR HIGHWAY USE TAX BASE CHANGES

**Summary** Extends the effective date for inclusion of authorized dealer documentation and other administrative fees in the taxable base for the Highway Use Tax, from January 1, 2014 to July 1, 2014.

# Special Provisions

## 2013 Session: SB 402

**Department:** Transportation

Section: 34.1

**Title:** CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION

**Summary** Sets forth the amount of estimated available cash for the next four fiscal years beginning in FY 2015-16 to allow the Department of Transportation to contract for payments beyond the fiscal biennium.

Section: 34.2

**Title:** INCREASE DOT PRIVATIZATION

**Summary** Requires the Department of Transportation to outsource 60% to 65% of preconstruction activities by the end of FY 2014-15, directs three preconstruction units to outsource an additional 5% in each year of the biennium, and directs the Department to increase the number of design-build contracts. Repeals G.S. 136-28.11(d), which required design-build contracts to be awarded after certain determinations are met. The Department will report its progress to the Fiscal Research Division and to the Joint Legislative Transportation Oversight Committee prior to convening the 2014 Regular Session of the 2013 General Assembly.

Section: 34.3

**Title:** SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES

**Summary** Requires all system preservation funds be used to improve structurally deficient and functionally obsolete bridges.

Section: 34.4

Title: **SMALL CONSTRUCTION AND CONTINGENCY FUNDS**

Summary Provides \$5 million in each fiscal year for small construction projects recommended by the Chief Engineer and the Chief Operating Officer and twelve million dollars in each fiscal year for rural or small urban highway improvements and related transportation enhancements. Transfers \$27,060,083 of unencumbered funds from the Contingency Fund and \$21,914,410 of unencumbered funds from the Division Small Urban Construction Fund to Highway Fund availability. The Department reports quarterly to the Fiscal Research Division and to the Joint Legislative Transportation Oversight Committee on approved projects.

Section: 34.6

Title: **ACCESS AND PUBLIC SERVICE ROAD FUNDS**

Summary Transfers \$4,843,441 of unencumbered funds from the Access and Public Service Road Fund to Highway Fund availability.

Section: 34.7

Title: **ECONOMIC DEVELOPMENT PROGRAM FUNDS**

Summary Transfers \$3,346,215 of unencumbered funds from the Economic Development Fund to Highway Fund availability. Appropriates \$3,346,215 in FY 2013-14 and \$4,036,171 in FY 2014-15 to prioritized economic development projects.

Section: 34.8

Title: **CONGESTION AND MOBILITY REPORTING**

Summary Amends G.S. 136-44.3 to require the Department of Transportation's biennial Maintenance Condition Report to include significant variations in maintenance conditions in the 14 highway divisions and to assess congestion on the primary system.

Section: 34.9

Title: **REPEAL INTERMODAL CONTINUING APPROPRIATIONS**

Summary Repeals G.S. 136-16.4, G.S. 136-16.5, G.S. 136-16.7, G.S. 136-16.8, and G.S. 136-16.9, eliminating the statutory floors for Highway Fund appropriations to aviation and public transportation grant programs, as well as a conflicting authorization for use of North Carolina Railroad Company dividend payments.

Section: 34.10

Title: **FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL AND HUMAN SERVICE PUBLIC TRANSPORTATION**

Summary Provides flexibility for the Public Transportation Division to redistribute funds allocated to its Rural Capital and Urban Technology, Human Service Transportation Management, and Rural General Public grant programs to maximize federal funding for operating assistance to rural and human service transportation systems.

Section: 34.11

Title: **MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS**

Summary Provides flexibility for the Public Transportation Division to allow local public transportation systems to use State funds from the Urban and Regional Maintenance and Urban Technology, Human Service Transportation Management, and Rural General Public grant programs to leverage eligible federal transit operating assistance.

Section: 34.12

Title: **GRANT FLEXIBILITY FOR BICYCLE AND PEDESTRIAN IMPROVEMENTS**

Summary Authorizes the Division of Bicycle and Pedestrian Transportation to shift funds between its Regional Bicycle Planning Grant program and Municipal Planning Grant program allocations based on assessed need and municipal applications.

Section: 34.13

Title: **FERRY TOLLING**

Summary Notwithstanding prior tolling directives to establish a new process for the initiation of tolling on the four State-maintained ferry routes for which tolls were not in effect as of June 30, 2013. Tolling is continued for the three remaining State-maintained routes.

Subsection (b) amends G.S. 136-82 to require the Department of Transportation to:

- Conduct informational public hearings no later than March 1, 2014 in the respective geographic areas of each of the four un-tolled routes. Following the hearing, each Metropolitan Planning Organization and Rural Transportation Planning Organization with planning jurisdiction over an un-tolled ferry route may submit an approved resolution to the Board of Transportation requesting the collection of tolls. Upon receipt, the Board of Transportation must establish the tolling structure and fares, and implement tolling within six months of adoption. Tolls established under this process are exempt from the rule-making provisions of Chapter 150B.
- Report to the Joint Legislative Transportation Oversight Committee, the Fiscal Research Division, and affected transportation planning organizations at least 30 days prior to any change in fares or rate setting methodology.
- Credit receipts generated via tolling, concessions, advertising, or other revenue to new reserve accounts within the Highway Fund to be used exclusively for funding passenger vessel replacement projects. Revenues are allocated proportionately to each account based on the Highway Divisions in which routes are located and fares are earned.

This subsection also provides the Department with additional authority to generate receipts via advertising, concessions, and other receipt-generating activities allowable under current law.

Further, this subsection provides that identifying information for the collection of tolls does not constitute a public record under Chapter 132. (H.B. 475/S.B. 524)

Section: 34.14

Title: **NORTH CAROLINA RAILROAD COMPANY REPORTING AND DIVIDENDS**

Summary Amends Chapter 124 of the General Statutes as follows:

Subsection (a) makes a conforming change.

Subsection (b) alters the composition of the North Carolina Railroad Company Board of Directors to require that two of the gubernatorial appointments include the Secretary of Commerce and a member of the Board of Transportation.

Subsections (c) and (d) add new sections G.S. 124-16 and G.S. 124-17, which require development and implementation of a formal strategic plan, and enumerate the components of the enhanced annual report to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Transportation Oversight Committee.

Subsections (e) through (h) require the North Carolina Railroad Company to issue, no later than January 15, 2014, a one-time cash dividend payment of \$15.5 million and, pursuant to new G.S. 124-18, issue an annual dividend payment equal to twenty-five percent of the income derived from its trackage rights agreement for the preceding fiscal year. Dividends are deposited into the new Freight Rail & Rail Crossing Safety Improvement Fund, and may be used exclusively for the enhancement of freight rail service and railroad-roadway crossing safety. Eligible project types may include:

- Track and associated infrastructure for freight service;
- Grade crossing protection, elimination, and hazard removal;
- Signalization improvements; and
- Assistance for projects which improve rail access to industrial, port, and military facilities, including freight intermodal facilities.

Subsection (i) repeals a conflicting authorization for use of dividends.

Subsection (j) requires the North Carolina Railroad Company to evaluate environmental and encroachment issues associated with nine off-corridor properties and to report its findings to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division by April 1, 2014.

Subsections (j1) through (j3) further require the North Carolina Railroad Company to transfer four off-corridor properties to the Department of Administration. The Department of Administration is directed to sell the transferred parcel in New Bern; however, the Department must collaborate with the Department of Transportation and the North Carolina State Ports Authority to evaluate the remaining three parcels located in Morehead City for potential transportation uses. The Departments must jointly report their findings to the Joint Legislative Transportation Oversight Committee by April 1, 2014.

Subsection (j4) credits the net proceeds from the sale of transferred properties to the Freight Rail & Rail Crossing Safety Improvement Fund. (S.B. 29/H.B. 174)

Section: 34.15

Title: **ELIMINATE TELECOMMUNICATIONS AND INSPECTIONS PROGRAM ACCOUNTS**

Summary Eliminates the non-reverting Inspection Program Account, transfers \$10.5 million of the accumulated balance within the Account to the Highway Fund, and transfers any remaining balance upon its elimination to the Reserve for General Maintenance.

Subsection (b) eliminates the non-reverting Telecommunications Account effective June 30, 2014 and transfers any remaining balance upon its elimination to the Reserve for General Maintenance.

Subsection (c) amends the distribution of Emissions and Safety Electronic Authorization fees by deleting the Inspection Program Account and Telecommunications Account and crediting associated fees to the Highway Fund.

Section: 34.16

Title: **DIVISION OF MOTOR VEHICLES TECHNOLOGY IMPROVEMENT ACCOUNT**

Summary Amends G.S. 20-85(a1) to eliminate the non-reverting Division of Motor Vehicles Technology Improvement Account, transfer \$4.55 million of the accumulated balance within the Account to the Highway Fund, and redirect any remaining balance upon elimination to the Reserve for General Maintenance. Recurring receipts from certain titling and registration transactions authorized by G.S. 20-85(a1) are instead credited to the Highway Fund.

Section: 34.17

Title: **DEPARTMENT OF TRANSPORTATION CONTRACTED SERVICES**

Summary Directs the Department of Transportation to evaluate contractual models and compensation for the provision of registration, title, tax collection, and other vehicle service transactions by branch agents contracting with the Division of Motor Vehicles. By March 1, 2014, the Department is to recommend alternatives to the current models, including competitive bidding, to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Program Evaluation Committee.

Section: 34.20

Title: **DRIVER EDUCATION**

Summary Amends G.S. 115C-216(g) to increase the authorized maximum fee for student participation in a public driver education program from \$45.00 to \$55.00.

Subsection (b) directs the Division of Motor Vehicles and the Department of Public Instruction to revise the driver knowledge test and establish a process for administering the test and certifying passage by the public school systems which administer the programs. The agencies must report on their progress in implementing these requirements to the Joint Legislative Transportation Oversight Committee, Joint Legislative Program Evaluation Committee, Joint Legislative Education Oversight Committee, and the Fiscal Research Division by March 1, 2014.

Section: 34.21

Title: **ADDITIONAL ANNUAL FEE FOR ELECTRIC VEHICLES**

Summary Amends G.S. 20-87 by adding a new section to establish a supplemental registration fee of \$100.00 for plug-in electric vehicles. The new fee is effective January 1, 2014.

Section: 34.22

Title: **VISITOR CENTERS FUNDING**

Summary Amends G.S. 20-79.7 to reduce allocations from the Special Registration Plate Account for operating assistance to twelve visitor centers and provides additional funding for the visitor center facilities located on I-73/I-74 in Randolph County.

Section: 34.23

Title: **STUDY GLOBAL TRANSPARK INFRASTRUCTURE AND RAIL ACCESS**

Summary Directs the Department of Transportation, in collaboration with the Department of Commerce and Department of Agriculture and Consumer Services to study the feasibility of infrastructure improvements at the Global TransPark. The study must also assess rail and highway access improvements to the Global TransPark and the Port of Morehead City, including a financial feasibility analysis of the Wallace to Castle Hayne and Wilmington track restoration project. A preliminary report is due to the Joint Legislative Transportation Oversight Committee by March 1, 2014. The final report is due no later than January 1, 2015.

Section: 34.25

Title: **LIFE CYCLE COST ANALYSIS REPORT**

Summary Requires the Department of Transportation to report on its life cycle cost analysis methodology and component factors to the Joint Legislative Transportation Oversight Committee and to the Fiscal Research Division by February 1, 2014.

Section: 34.27

Title: **OUTSIDE LEGAL COUNSEL/DEPARTMENT OF TRANSPORTATION**

Summary Authorizes the Department of Transportation to hire private legal counsel for transportation projects and requires the Department to report each time counsel is hired to the Chairs of Appropriations Subcommittee on Transportation of the House of Representatives, the Chairs of the Appropriations Committee on Transportation of the Senate, and to the Fiscal Research Division if the General Assembly is in session, or to the Joint Legislative Transportation Oversight Committee and to the Fiscal Research Division if the General Assembly is not in session.

Section: 34.28

Title: **LEGISLATIVE OVERSIGHT/DMV LICENSE & THEFT TRANSFERS**

Summary Prohibits the Department of Transportation and Department of Public Safety from transferring the personnel or functions of the Division of Motor Vehicles, License & Theft Bureau without an act of the General Assembly authorizing such transfer.

Section: 34.29

Title: **HIGHWAY USE TAX BASE**

Summary Amends G.S. 105-187.3(a) to expand the Highway Use Tax to apply to administrative, origination, documentary, procurement, or other similar administrative fees charged by motor vehicle dealers.

(S.L. 2013-363, Sec. 8.1, Modifications/2013 Appropriations Act, extends the effective date for inclusion of authorized dealer documentation and other administrative fees in the taxable base for the Highway Use Tax, from January 1, 2014 to July 1, 2014.)



Section: 34.30

Title: **TRANSPORTATION INVESTMENTS CONFORMING CHANGE**

Summary Repeals S.L. 2013-183, Sec. 7.1(b), which delayed the bill's effective date until passage of the budget.

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**Reserves**  
**Debt Service**  
**Adjustments**  
**Section L**

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# Statewide Reserves

GENERAL FUND
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	FY 13-14	FY 14-15
<b>Recommended Continuation Budget</b>	<b>\$756,149,861</b>	<b>\$756,149,861</b>

## Legislative Changes

### A. Employee Benefits

#### 1 Severance Expenditure Reserve

Provides funding for severance salary continuation payments and health benefits coverage under the State Health Plan for eligible employees who are reduced in force (RIF) during FY 2013-14. Any funds remaining in this reserve at the end of FY 2013-14 shall not revert and shall be used to pay severance salary continuation needs in FY 2014-15. (S.L. 2013-360, Sec. 35.10)

\$16,000,000 NR

#### 2 Statewide Compensation Study

Establishes a reserve to fund a statewide compensation study by the Office of State Personnel (OSP). OSP shall report the results of its study to the chairs of the Senate Appropriations/ Base Budget Committee, the chairs of the House of Representatives Appropriations Committee, and the Fiscal Research Division by May 1, 2014.

\$1,000,000 NR

#### 3 Salary Adjustment Fund

Appropriates funds to the Salary Adjustment Fund. (S.L. 2013-360, Sec. 35.10B)

\$7,500,000 R \$7,500,000 R

#### 4 State Retirement System Contributions

Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2013-15 biennium to fund the Annual Required Contribution. (S.L. 2013-360, Sec. 35.15)

\$36,000,000 R \$36,000,000 R

#### 5 Judicial Retirement System Contributions

Increases the State's contribution to the Consolidated Judicial Retirement System for the 2013-15 biennium to fund the Annual Required Contribution. (S.L. 2013-360, Sec. 35.15)

\$1,000,000 R \$1,000,000 R

#### 6 Highway Fund Retirement System Contributions

Increases the State's contribution to the Teachers' and State Employees' Retirement System for positions supported by the Highway Fund by \$1,121,000 for 2013-15 biennium to fund the Annual Required Contribution. The increased expenditures appear in the Transportation section of the Committee Report. (S.L. 2013-360, Sec. 35.15)

(This item also appears in the Transportation Section of the Committee Report. See page K-7, item 47.)

**7 Reserve for Future Benefit Needs**

\$56,400,000 R

Creates a General Fund reserve for increased contributions to existing employee benefits programs.

**8 Highway Fund Reserve for Future Benefit Needs**

Creates a Highway Fund reserve of \$1,745,000 for increased contributions to existing employee benefits programs. Funds for the reserve appear in a corresponding item in the Transportation section of the Committee Report.

(This item also appears in the Transportation Section of the Committee Report. See page K-7, item 48.)

**9 Firemen’s and Rescue Squad Workers’ Pension Fund**

(\$820,000) R (\$820,000) R

Reduces contributions to the Firemen’s and Rescue Squad Workers’ Pension Fund for the 2013-15 biennium to match the Annual Required Contribution.

**10 State Health Plan**

\$33,500,000 R \$89,000,000 R

Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the General Fund for the 2013-15 fiscal biennium. (S.L. 2013-360, Sec. 35.15 and 35.18)

**11 Highway Fund State Health Plan Contribution**

Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the Highway Fund for the 2013-15 fiscal biennium. The additional funding required from the Highway Fund is \$1.7 million for FY 2013-14 and \$4.45 million for FY 2014-15. The increased expenditures appear in a corresponding item in the Transportation section of the Committee Report. (S.L. 2013-360, Sec. 35.15 and 35.18)

(This item also appears in the Transportation Section of the Committee Report. See page K-7, item 46.)

**B. Other Reserves**

**12 Eugenics Sterilization Compensation Fund**

\$10,000,000 NR

Creates a fund to compensate verified victims of the State's Eugenics Program. (S.B. 421, S.B. 464/H.B. 7; S.L. 2013-360, Sec. 6.18; S.L. 2013-363, Sec. 1.1)

(Funding for administrative costs associated with the Justice for Sterilization Victims Foundation can be found in the General Government section of the report. See page J-35, item 42.)

**13 Reserve for Escheat Fund Global TransPark Loan Repayment**

Provides General Fund appropriation to repay the Global TransPark's loan funded from the Escheat Fund. The Office of State Budget and Management shall transfer these funds to the Escheat Fund. Any excess funds remaining after the loan is paid in full shall remain in the Escheat Fund. (S.L. 2013-360, Sec. 6.3 and 11.1(a))

\$27,000,000 NR

(This item corresponds to a one-time decrease in General Fund appropriations to the UNC Need-Based Grant Program, which can be found on page F-38, item 69, and a corresponding one-time increase from the Escheat Fund for the UNC Need-Based Grant Program which can be found in S.L. 2013-360, Sec. 11.1(a).)

**14 Unemployment Insurance (UI) Reserve**

Establishes a reserve for the requirements of S.L. 2013-2, UI Fund Solvency and Program Changes. The Office of State Budget and Management shall distribute the reserve to State agencies to fund the 1% UI reserve requirements for General Fund-supported employees and State-funded teachers. Total funding in FY 2013-14 will be \$40.8 million due to the transfer of \$17 million from the Worker Training Trust Fund, the Training and Employment Account, and the Special Employment Security Administration Fund. (S.L. 2013-360, Sec. 15.3)

\$23,800,000 NR \$13,600,000 NR

(S.L. 2013-363, Sec. 5.15(b), Modifications/2013 Appropriations Act, amends this item to remove the special fund transfers and to clarify that the Reserve is to be used for General Fund-supported employees of all State agencies, departments, institutions, The University of North Carolina, as well as State-funded local public school and community college employees. The section also states that the Office of State Budget and Management shall manage the Reserve to ensure that all State agencies are in compliance with S.L. 2013-2, UI Fund Solvency & Program Changes.)

**15 Job Development Investment Grant Reserve**

Increases funding for the Job Development Investment Grant (JDIG) Reserve to meet projected needs for FY 2013-14 and FY 2014-15. Total funding in FY 2013-14 will be \$51,823,772; total funding in FY 2014-15 will be \$63,045,357. (S.L. 2013-360, Sec. 15.19, 15.20, and 15.21)

\$24,423,772 R \$35,645,357 R

**16 NC GEAR**

Establishes a statewide reserve in the Office of State Budget and Management for the NC Government Efficiency and Reform (NC GEAR) project. (S.L. 2013-360, Sec. 6.5)

\$2,000,000 NR \$2,000,000 NR

**17 Reserve for Pending Legislation**

\$4,000,000 R \$4,500,000 R

Creates a reserve to fund the following House bills should they be enacted into law:

- HB 473 - Department of Insurance to regulate captive insurance companies.
- HB 675 - General Fund portion (80 percent) of the total impact on the State Health Plan from changes in the Pharmacy Laws.
- HB 498 - General Fund portion (80 percent) of the total impact on the State Health Plan from changes in autism health insurance coverage.
- HB 269 - State Education Assistance Authority and the Department of Public Instruction to implement the bill.
- HB 392 - Department of Health and Human Services to implement the bill.

(H. B. 473, NC Captive Insurance Act, was signed by the Governor on June 19, 2013, S.L. 2013-116; S.B. 476)

(H.B. 675, Amend Pharmacy Laws, was signed by the Governor on July 29, 2013, S.L. 2013-379.)

(H.B. 498, Autism Health Insurance Coverage, passed the House but had not passed the Senate as of long session adjournment on July 27, 2013.)

(H.B. 269, Children w/Disabilities Scholarship Grants, was signed by the Governor on July 29, 2013, S.L. 2013-364, amended by S.L. 2013-363, Sec. 3.17.)

(H.B. 392, Warrant Status/Drug Screen Public Assist., was vetoed by the Governor on August 15, 2013. The General Assembly overrode the veto on September 4, 2013, S.L. 2013-417.)

**18 Reserve for Voter Information Verification Act**

\$1,000,000 R \$1,000,000 R

Provides funds for the implementation of the Voter Information Verification Act (VIVA). Funds may be used for outreach and operations by the State Board of Elections, reimbursement for issuance of state-issued identification cards by Division of Motor Vehicles, reimbursement for the State Registrar for the provision of free vital records certificates, and for reimbursement to county governments. (S.L. 2013-381)

**19 IT Fund**

\$1,417,515 R \$1,417,515 R  
 \$1,582,485 NR \$3,000,000 NR

Provides additional funding for the Information Technology (IT) Fund to support the implementation of the Government Data Analytics Center (GDAC) as an enterprise information technology project. GDAC will facilitate the integration and analysis of data across State agencies, improving coordination between and among the participating organizations. (S.L. 2013-360, Sec. 7.10 and 7.21)



**FY 13-14**

**FY 14-15**

**20 IT Reserve Fund**

Provides additional funding for the State Chief Information Officer to upgrade, simplify, and modernize the State's IT operations and internal infrastructure. This includes replacing obsolete computers and applications, and ensuring that State agencies are meeting IT security requirements.

\$5,635,000	R	\$7,820,000	R
\$22,365,000	NR	\$23,762,485	NR
33.00		44.00	

**C. Debt Service**

**21 Debt Service Adjustment**

Adjusts debt service appropriations based on updated cash flow requirements.

(\$34,949,705)	R	(\$18,648,784)	R
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**22 Tobacco Master Settlement Agreement Debt**

Provides a direct General Fund appropriation for University projects' debt service that was previously funded by Tobacco Master Settlement Agreement receipts. (S.L. 2013-360, Sec. 6.4)

\$35,450,000	R	\$35,289,724	R
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**Total Legislative Changes**

\$114,156,582	R	\$256,103,812	R
\$103,747,485	NR	\$42,362,485	NR

**Total Position Changes**

33.00		44.00	
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**Revised Budget**

\$974,053,928		\$1,054,616,158	
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# Special Provisions

## 2013 Session: SB 402

**Department:** Availability and Appropriations

Section: 1.1

Title: **TITLE**

Summary Sets the title of the act as the "Current Operations and Capital Improvements Act of 2013."

Section: 1.2

Title: **INTRODUCTION**

Summary Directs that the amounts appropriated in the budget are maximum and savings shall revert to the appropriate fund at the end of each fiscal year.

Section: 2.1

Title: **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

Summary Establishes the budgeted amounts for State departments for the FY 2013-15 biennium.

(S.L. 2013-363, Sec. 3.4, Modifications/2013 Appropriations Act, amends the University of North Carolina FY 2014-15 budget by moving \$10 million from Related Educational Programs to Aid to Private Institutions for the Opportunity Scholarship Grants program.)

(S.L. 2013-363, Sec. 3.10, Modifications/2013 Appropriations Act, amends this section to decrease the Department of Public Instruction budget by \$2 million and to increase the Office of the Governor budget by corresponding amounts in each year of the fiscal biennium to support the creation of the North Carolina Education and Workforce Innovation Commission.)

Section: 2.2

Title: **GENERAL FUND AVAILABILITY STATEMENT**

Summary States General Fund availability for the FY 2013-15 biennium, in accordance with G.S. 143C-5-3.

Subsection (a) sets forth the amounts of general purpose revenue and other funds available to support appropriations made in Section 2.1.

Subsection (b) directs the amount to be transferred from the Highway Fund to the General Fund each fiscal year.

Subsections (c) and (d) direct the State Controller to transfer specified amounts from the unreserved fund balance to the Repairs and Renovations Reserve and to the Savings Reserve.

Subsection (e) transfers funds from special revenue and enterprise funds as follows:

-E-Commerce Fund - \$5,111,585 in FY 2013-14 and \$6,000,000 in FY 2014-15

-Misdemeanant Confinement Fund - \$1,000,000 each year

-NC FICA Account - \$6,000,000 in FY 2013-14

-NC Public Campaign Finance Fund - \$3,500,000 in FY 2013-14

-Separate Insurance Benefits Plan - \$16,510,611 each year

Section: 3.1

Title: **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

## 2013 Annotated Conference Committee Report

Summary Establishes the Highway Fund budget for the FY 2013-15 biennium.

Section: 3.2

Title: **HIGHWAY FUND/AVAILABILITY STATEMENT**

Summary Sets forth the funding used in developing the FY 2013-15 biennial budget from the Highway Fund for the Department of Transportation.

Section: 4.1

Title: **HIGHWAY TRUST FUND APPROPRIATIONS**

Summary Establishes the Highway Trust Fund budget for the FY 2013-15 biennium for the Department of Transportation.

Section: 4.2

Title: **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

Summary States the funding used in developing the FY 2013-15 biennial budget for the Highway Trust Fund

Section: 5.1

Title: **APPROPRIATION OF OTHER FUNDS**

Summary Places the following requirements on the budget:

Subsection (a) appropriates cash balances and receipts up to the amount specified for FY 2013-14 and FY 2014-15. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly.

Subsection (b) requires receipts collected in a fiscal year in excess of the amounts authorized by this section to remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized receipts in a fiscal year in which the receipts were collected is authorized by the State Budget Act.

Subsection (c) appropriates from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year.

Subsection (d) requires the Office of State Budget and Management, the Office of the State Controller, the Department of Revenue, and the General Assembly's Fiscal Research Division to study the best manner to budget the funds deposited into and expended from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues. A report to the House and Senate Appropriations Committees is due May 1, 2014.

Subsection (e) repeals subdivisions (2) through (4) of subsection (d) of section 5.1 in S.L. 2012-142, 2012 Appropriation Act, that appropriated (1) refunds for tax overpayments, (2) Escheat Fund payments, and (3) refund of State agency overpayments.

Section: 5.2

Title: **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

Summary Places the following restrictions on grant funds:

Subsection (a) authorizes State agencies, with approval of the Director of the Budget, to spend funds awarded that are less than \$2.5 million, are not matched by State funds, and are not for capital projects. State agencies must report to the Joint Legislative Commission on Governmental Operations (Gov Ops) within 30 days of receipt of these funds. For all other grant awards, State agencies must consult with Gov Ops before expending the funds.

## 2013 Annotated Conference Committee Report

Subsection (b) directs the Office of Budget and Management to work with State agencies to budget grant awards.

Subsection (c) prohibits any State agency from accepting a grant not anticipated in this act if acceptance of the grant would obligate the State to make future expenditures as a result of receiving the grant.

Section: 5.3

Title: **CIVIL PENALTY AND FORFEITURE FUND**

Summary Appropriates funds from the Civil Penalty and Forfeiture Fund as follows:  
Subsection (a) appropriates \$18 million each fiscal year of the FY 2013-15 biennium to the School Technology Fund. This subsection also appropriates \$163.4 million in FY 2013-14 and \$120.4 million in FY 2014-15 to the State Public School Fund.

Subsection (b) appropriates over-realized receipts in the Civil Penalty and Forfeiture Fund in FY 2012-13 to the State Public School Fund in FY 2013-14.

Subsection (c) appropriates over-realized receipts in the Civil Penalty and Forfeiture Fund in FY 2013-14 to the School Technology Fund in FY 2014-15.

Section: 5.4

Title: **INDIAN GAMING EDUCATION REVENUE FUND**

Summary Appropriates \$3 million from the Indian Gaming Education Revenue Fund to the School Technology Fund for each year of the FY 2013-15 biennium.

## Special Provisions

### 2013 Session: SB 402

#### Department: General Provisions

##### Section: 6.1

###### Title: **CONTINGENCY AND EMERGENCY FUND LIMITATION**

Summary Limits the use of funds appropriated to the Contingency and Emergency Fund to only expenditures required by a court or Industrial Commission order or to respond to events as authorized under the North Carolina Emergency Management Act.

(S.L. 2013-363, Sec. 1.4, Modifications/2013 Appropriations Act, expands the use of this Fund as follows: (1) allows the State Treasurer to pay death benefits authorized by Article 12A of G.S. 143, (2) permits the Governor to pay crime rewards, (3) allows the Industrial Commission to make supplemental awards of compensation, and (4) authorizes the Department of Justice to pay legal fees.)

##### Section: 6.2

###### Title: **ESTABLISHING OR INCREASING FEES UNDER THIS ACT**

Summary Provides in subsection (a) that an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee as authorized or anticipated in this act. Subsection (b) permits and agency to adopt emergency rules to establish or increase fees authorized by this act.

##### Section: 6.3

###### Title: **GLOBAL TRANSPARK LOAN REPAYMENT**

Summary Directs the Office of State Budget and Management to transfer funds from the \$27 million Reserve for Global TransPark Loan Repayment to the Escheat Fund as payment-in-full for the outstanding loan to the Global TransPark Authority.

##### Section: 6.4

###### Title: **MSA PAYMENTS**

Summary Directs that all payments from the tobacco Master Settlement Agreement (MSA) funds be deposited into the Settlement Reserve Fund and then included in General Fund availability as nontax revenue for the next fiscal year. This section terminates annual MSA payments to The Golden L.E.A.F. beginning in FY 2013-14. This section also (1) shifts the debt service payment for the State Capital Facilities Act of 2004 from the Settlement Reserve Fund to the General Fund and (2) ends the annual \$8 million transfer to the University Cancer Research Fund.

(S.L. 2013-363, Sec. 1.2, Modifications/2013 Appropriations Act, amends this section to direct the Attorney General to take all necessary actions to implement this section and to notify the court and administrators of the Settlement Account of the redirection of payments.)

(S.L. 2013-363, Sec. 1.5, Modifications/2013 Appropriations Act, amends this section to clarify that all funds received during the year be deposited in the Settlement Reserve Fund as nontax revenue in General Fund availability.)

##### Section: 6.5

Title: **GOVERNMENT EFFICIENCY AND REFORM**

Summary Directs the Office of State Budget and Management (OSBM) to contract with consultants for a Government Efficiency and Reform (NC GEAR) review and analysis of the executive branch of State government. This section also places non-State entities under NC GEAR review and requires chief administrative officers to cooperate in providing information and timely responses to requests. Two million dollars is appropriated in each year of the FY 2013-15 biennium for NC GEAR. OSBM is required to submit an initial NC GEAR report to the Speaker of the House, the Senate President Pro Tempore, Fiscal Research Division, and the Program Evaluation Division by February 15, 2014 and a final report by February 15, 2015.

Section: 6.6

Title: **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

Summary Limits the expenditure of funds appropriated in reserves to those purposes for which the reserves were established.

Section: 6.7

Title: **BUDGET CODE CONSOLIDATIONS**

Summary Permits the Office of State Budget and Management, after reporting to the General Assembly's Fiscal Research Division, to change the authorized budget by making transfers among purposes or programs to consolidate budget and fund codes or eliminate inactive budget and fund codes.

Section: 6.8

Title: **NORTH CAROLINA STATE LOTTERY COMMISSION CONTRACTS**

Summary Amends G.S. 18C-115(a) by increasing the minimum amount of a contract for services, apparatus, supplies, materials or equipment subject to the bidding process from \$90,000 to \$300,000.

Section: 6.9

Title: **PROVISION OF ANONYMOUS TAX RETURN DATA TO STATE BUDGET DIRECTOR**

Summary Amends G.S. 105-259(b) by allowing the State Budget Director access to confidential State tax return data for the purpose of conducting statistical analyses by the Office of State Budget and Management.

Section: 6.10

Title: **EXEMPTIONS FROM MANAGEMENT FLEXIBILITY REDUCTIONS**

Summary Prohibits the use of expansion funds appropriated in the FY 2013-15 fiscal biennium to be used to offset management flexibility adjustments in this act.

Section: 6.11

Title: **REVISE PUBLIC SCHOOL BUILDING CAPITAL FUND / APPROPRIATED EDUCATION LOTTERY FUNDS**

Summary Amends state statutes related to public school capital and Education Lottery funds.

Subsection (a) makes conforming changes to reflect the repeal of the Corporate Income Tax public school capital earmark in S.L. 2013-1316, Tax Simplification and Reduction Act. This change means that only Lottery funds will be transferred into the Public School Building Capital Fund.

Subsection (b) amends G.S. 115C-546.2 to clarify the use of monies previously credited to the

## 2013 Annotated Conference Committee Report

Public School Building Capital Fund from the Corporate Income Tax earmark. The section also requires future Education Lottery funds appropriated to the Fund for capital projects be allocated on a per average daily membership basis. The section also allows the State Board of Education to use up to \$1.5 million from this Fund each year for positions in the Department of Public Instruction's Support Services Division.

Subsection (c) amends G.S. 18C-164 to repeal the statutory distribution of lottery funds to specific education-related programs and makes all net Lottery proceeds subject to an annual appropriation by the General Assembly, and that those appropriations continue to be made to "education-related purposes."

Subsection (d) amends G.S. 115C-499.3(b) to conform the amount of scholarship funding available for disbursement by the State Education Assistance Authority from a percentage of the Education Lottery Fund to a specific appropriation from that Fund.

Subsection (e) appropriates from the Education Lottery Fund \$481.8 million in FY 2013-14 and \$468.4 million in FY 2014-15 for the following programs:

- Classroom Teachers
- Prekindergarten Program
- Public School Building Capital Fund
- Scholarships for Needy Students
- UNC Need-Based Financial Aid
- UNC Need-Based Financial Aid Forward Funding Reserve
- Digital Learning

Subsection (f) prohibits the transfer of funds to the Education Lottery Reserve Fund in FY 2013-14.

Section: 6.12

Title: **STATE BUDGET ACT AMENDMENTS**

Summary Amends Chapter 143C of the General Statutes as follows:

Subsections (a) through (g) make technical changes to the act.

Subsection (h) amends G.S. 143C-1-1 to add new definitions for "authorized budget," "availability," and "continuation budget."

Subsection (i) amends G.S. 143C-1-1(d)(7) to restrict changes to the certified budget for organizational or budget changes to those expressly mandated by the General Assembly.

Subsection (j) amends G.S. 143C-3-3 to require the University of North Carolina system to submit budget requests for capital, information technology and repairs and renovation in accordance with the instructions prescribed by the Director of the Budget.

Subsection (k) amends G.S. 143C-3-5 to correct a reference from "fiscal" to "calendar" years. The subsection also repeals the requirement that the Governor include recommendations for university and community college enrollment increases in the continuation budget. This subsection also clarifies that the Governor is to include a continuation budget in the support documents accompanying the Governor's Recommended State Budget, along with a list of budget adjustments made during the prior fiscal year.

Subsection (l) amends G.S. 143C-4-3 to delete the word "Account" from the title of the Repairs and Renovations (R&R) Reserve Account and authorizes the Office of State Management and

## 2013 Annotated Conference Committee Report

Budget and the Board of Governors for the university system to make changes in the allocation of R&R funds. For allocations of \$2.5 million or more, a consultation with the Joint Legislative Commission on Governmental Operations (Gov Ops) is required prior to expenditure or reallocation. For allocations below \$2.5 million, a report to Gov Ops within 60 days of expenditure or reallocation is required.

Subsection (m) amends G.S. 143C-6-1 to clarify that budgeted and excess departmental receipts are to be spent first before net General Fund appropriations.

Subsection (n) amends G.S. 143C-6-4 to clarify the circumstances under which changes to the authorized budget may be made. This subsection also expands an agency's authority to overspend for unforeseen circumstances to include the use of agency receipts for salary adjustments and time-limited positions but narrows an agency's 3 percent overexpenditure threshold by applying the threshold on a "fund" and not an "agency" basis.

Subsection (o) amends G.S. 143C-6-21 to provide the Director of the Budget discretion in the frequency of payments made to nonprofits with an annual appropriation of \$100,000 or less.

Subsection (p) amends G.S. 143C-7-2 to conform federal block grant submission dates to the annual budget process.

Subsection (q) amends G.S. 143C-8-2 to require the Department of Administration to provide a summary of the capital facilities inventory to the Fiscal Research Division by October 1 of each even-numbered year.

Subsection (r) amends G.S. 143C-9-7 to repeal the statutory appropriation for the Indian Gaming Education Revenue Fund. Future appropriations will be made by the General Assembly.

Section: 6.14

Title: **CAP STATE FUNDED PORTION OF NONPROFIT SALARIES**

Summary Establishes a \$120,000 cap on the amount of State funds that can be used for the annual salary of any individual employee of a nonprofit organization receiving State funds.

Section: 6.15

Title: **NO STATE FUNDS FOR LOBBYING**

Summary Prohibits a non-State entity from using State funds to pay for lobbying or lobbyists.

Section: 6.16

Title: **AVIATION FUEL TAX**

Summary Amends S.L. 2012-74, Economic Development and Finance Changes, to provide an interstate passenger air carrier the second installment of a refund of sales and use tax paid in excess of \$1,250,000 in the first six months of 2011. The refund is estimated to be \$3,186,000.

Section: 6.17

Title: **RESTORE LOCAL GOVERNMENT HOLD HARMLESS FOR REPEALED REIMBURSEMENTS**

Summary Amends G.S. 105-521 to partially restore transitional local government hold harmless payments for repealed reimbursements that ended in 2012. This section authorizes the Secretary of Revenue to distribute an estimated \$7.9 million in funds drawn from sales and use tax collections, to qualifying local governments in FY 2013-14 and to report to the Revenue Laws Study Committee by January 31, 2014 on these payments.



## 2013 Annotated Conference Committee Report

Section: 6.18

Title: **EUGENICS COMPENSATION PROGRAM**

Summary Amends Chapter 143B of the General Statutes to create Article 9, the Eugenics Asexualization and Sterilization Compensation Program. This section establishes the Eugenics Sterilization Compensation Fund and creates the Office of Justice for Sterilization Victims (OJSV) within the Department of Administration (DOA) to administer the fund. The new article directs that the \$10 million appropriated in this act be divided among claimants determined to be eligible by the Industrial Commission and that a claimant submit their claim before June 30, 2014 and that payments awarded are not subject to State income tax and not included in the income or asset calculation for eligibility in other State programs.

(S.L. 2013-363, Sec. 1.1(a), Modifications/2013 Appropriations Act, repeals subsection 6.18(f) which transferred funds to the OJSV for administration. Funding for OJSV is appropriated within the DOA budget found in the General Government section of the Committee Report.

(S.L. 2013-363, Sec. 1.1(b), Modifications/2013 Appropriations Act, changes the date for submission of a State Plan Amendment for the Children's Health Insurance Program from August 1, 2013 to September 30, 2013.)

### **2013 Session: HB 112**

**Department:** General Provisions

Section: 1.1

Title: **TECHNICAL CHANGE: EUGENICS COMPENSATION PROGRAM**

Summary Amends S.L. 2013-360, Sec. 6.18(f), Appropriations Act of 2013, to repeal a transfer of funds to the Office of Justice for Sterilization Victims (OJSV) for administration. Funding for OJSV is appropriated within the Department of Administration budget found in the General Government section of the Committee Report.

Amends S.L. 2013-360, Sec. 16.18, Appropriations Act of 2013, to change the date for submission of a State Plan Amendment for the Children's Health Insurance Program from August 1, 2013 to September 30, 2013.

Section: 1.2

Title: **TECHNICAL CHANGE: MSA PAYMENTS**

Summary Amends S.L. 2013-360, Sec. 6.4(c), Appropriations Act of 2013, to direct the Attorney General to take all necessary actions to implement changes enacted in the administration of MSA funds including the redirection of payments to the State.

Section: 1.4

Title: **BUDGET CHANGE: CONTINGENCY AND EMERGENCY FUND LIMITATION**

Summary Amends S.L. 2013-360, Sec. 6.1, Appropriations Act of 2013, to expand the use of the Contingency and Emergency Fund as follows: (1) allows the State Treasurer to pay death benefits authorized by Article 12A of G.S. 143, (2) permits the Governor to pay crime rewards, (3) allows the Industrial Commission to make supplemental awards of compensation, and (4) authorizes the Department of Justice to pay legal fees.

Section: 1.5

General Provisions

2013 Annotated Conference Committee Report

Title: **TECHNICAL CHANGE: MSA PAYMENTS**

Summary Amends S.L. 2013-360, Sec. 6.4(e), Appropriations Act of 2013, to clarify that all tobacco Master Settlement Agreement funds received during the year be deposited in the Settlement Reserve Fund as nontax revenue in General Fund availability.

Section: 3.2

Title: **TECHNICAL CHANGE: SPECIAL EDUCATION SCHOLARSHIP GRANTS**

Summary Amends S.L. 2013-364, Sec. 5, Special Education Scholarship Grants for Children With Disabilities, to allocate \$3,670,500 in FY 2013-14 and \$4,341,000 in FY 2014-15 from the Reserve for Pending Legislation to the North Carolina State Education Assistance Authority for implementation of the scholarship grant program.

Section: 3.4

Title: **BUDGET CHANGE: CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

Summary Amends S.L. 2013-360, Sec. 2.1, Appropriations Act of 2013, to amend the University of North Carolina FY 2014-15 budget by moving \$10 million from Related Educational Programs to Aid to Private Institutions for the Opportunity Scholarship Grants program.

Section: 3.17

Title: **BUDGET CHANGE: SPECIAL EDUCATION SCHOLARSHIP GRANTS**

Summary Amends S.L. 2013-364, Sec. 7, Special Education Scholarship Grants for Children With Disabilities, to expand the eligibility for the scholarship grant to special education students entering kindergarten or first grade in FY 2013-14.

# **Capital**

## **Section M**

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# Capital

GENERAL FUND
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FY 13-14
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FY 14-15
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## Legislative Changes

### A. Department of Administration

#### 1 Division of Veterans Affairs - Sandhills State Veterans Cemetery

Appropriates \$125,000 to construct an enclosed committal structure for the Sandhills State Veterans Cemetery in Spring Lake, NC. The funding will match contributions from non-State entities. The total cost of the project is \$300,000. (S.L. 2013-360, Sec. 36.2(b))

\$125,000	NR
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#### 2 Division of Veterans Affairs - New State Veterans Cemetery

Appropriates funds to construct a State Veterans Cemetery in Goldsboro. The State currently has three cemeteries located in Black Mountain, Kinston, and Spring Lake. (S.B. 457; S.L. 2013-360, Sec. 36.2(c))

\$600,000	NR
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### B. Department of Environment and Natural Resources

#### 3 Water Resources

Provides funds for the State's share of Water Resource Development Projects. These funds will match \$39.5 million in federal funds and \$7.3 million in local funds in FY 2013-14. The projects are specified in a special provision (S.L. 2013-360, Sec. 36.3).

\$11,522,000	NR
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### C. Department of Justice

#### 4 Western Crime Laboratory Planning

Provides funding to complete full planning for the Western Crime Laboratory. Initial planning funds were authorized in S.L. 2012-142. The planned facility will be 36,050 square feet. The estimated cost of this project is \$16.8 million. (S.B. 3)

\$1,442,000	NR
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### D. Department of Public Safety

#### 5 Samarkand Training Facility

Converts the vacant Division of Juvenile Justice Youth Development Center into an overnight training facility for the Department of Public Safety (S.L. 2013-360, Sec. 16.A5, Sec 36.2(f)).

\$5,250,000	NR	\$5,173,000	NR
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#### 6 Armory and Facility Development Projects

Appropriates \$8.25 million in State funds over the fiscal biennium to expand and renovate National Guard Armories and Facilities located throughout the State. These funds will match \$21 million in federal funds. The projects are specified in a special provision. (S.L. 2013-360, Sec. 36.11)

\$5,000,000	NR	\$3,250,000	NR
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**E. University of North Carolina**

**7 University of North Carolina - Asheville - Land Purchases**

Appropriates funds for the University of North Carolina - Asheville for land purchases to allow for the long-term growth and expansion of the campus consistent with the strategic plans of the campus and the UNC Board of Governors.

\$2,000,000 NR

**8 Appalachian State University - Health Sciences Building**

Funds advance planning for Appalachian State University's College of Nursing and Health Sciences Building. The 200,000 sq. ft. facility will be constructed in association with the Watauga Medical Center. Planning funds for this project were originally appropriated in S.L. 2008-107 but were reverted by the Governor to cover the FY 2008-09 budgetary shortfall. The project is estimated to cost \$80.2 million.

\$2,000,000 NR

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**Total Appropriation to Capital**

**\$27,939,000 NR      \$8,423,000 NR**

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# Special Provisions

## 2013 Session: SB 402

**Department:** Capital

Section: 36.1

Title: **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

Summary Sets forth the provisions for the appropriation of capital funds.

Section: 36.2

Title: **CAPITAL APPROPRIATIONS/GENERAL FUND**

Summary Appropriates funds to specific projects.

Subsection (a) appropriates \$29,939,000 in FY 2013-14 and \$8,423,000 in FY 2014-15.

(Note: detailed project-by-project information for each State agency/department may be found on pages M-1 and M-2 of the Committee Report).

Subsection (b) authorizes the Department of Administration's Division of Veterans Affairs to enclose the committal structure at Sandhills State Veterans Cemetery for a total cost of \$300,000.

Subsections (c-e) authorize the Department of Administration's Division of Veterans Affairs to construct a fourth State Veterans Cemetery in Goldsboro in accordance with federal law and regulation. Unspent funds will revert to the General Fund within three years if sufficient federal funds are not appropriated; land has not been conveyed to the State for the cemetery; and/or funds are not required for the cemetery. (S.B. 457)

Subsection (f) authorizes the renovation of the Samarkand Youth Development Center to provide a Department of Public Safety (DPS) training facility and requires that the facility include a firing range.

Section: 36.3

Title: **WATER RESOURCES DEVELOPMENT PROJECTS**

Summary Identifies the projects, guidelines, and reporting requirements for Water Resources Development Projects appropriated in Sec. 36.2.

Subsection (a) lists the fifteen individual Water Resources Development Projects to be funded from funds carried forward by, and additional funds appropriated to, the Department of Environment and Natural Resources (DENR).

Subsection (b) appropriates \$2.54 million in funds carried forward by DENR to four projects listed in subsection (a).

Subsection (c) allows DENR the flexibility to allocate money among projects to manage costs. If the listed projects are delayed, DENR is allowed to spend funds on US Army Corps of Engineers project feasibility studies and projects that have advanced schedules and require a State match. DENR may also use funding for State and local water resources development projects.

Subsection (d) requires DENR to make semi-annual reports to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management.

Subsection (e) restricts DENR funding to a maximum of 50% of the nonfederal portion of a project's cost.

Subsection (f) authorizes DENR to transfer, on an as needed basis, up to \$250,000 of funds appropriated to the Parks and Recreation Trust Fund for FY 2013-14 to the Division of Water Resources for the Lake Waccamaw Hydrilla Eradication Project.

Section: 36.4

Title: **NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

Summary Authorizes \$41.53 million for projects across State agencies that are to be funded entirely with non-General Fund dollars. Also, transfers \$50,000 from the State Treasurer to the Department of Agriculture and Consumer Services for the Plant Conservation Program.

Section: 36.5

Title: **REPAIR AND RENOVATIONS RESERVE ALLOCATION**

Summary Allocates funding from the Repairs and Renovation Reserve. The Office of State Budget and Management will receive 60 percent of the funds to be allocated amongst State agencies supported by the General Fund. The University of North Carolina (UNC) will receive 40 percent of the funds to be allocated across its campuses.

Subsection (d) amends G.S. 143C-4-3(b) to allow the State Information Technology Office to receive funds from the Repair and Renovations Reserve

Section: 36.6

Title: **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

Summary Establishes procedures for the disbursement of capital funds authorized by the 2013 General Assembly.



Section: 36.7

Title: **REPORTING ON CAPITAL PROJECTS**

Summary Requires a semiannual report to the Joint Legislative Commission on Governmental Operations on the status of all capital projects beginning on October 1, 2013.

Section: 36.8

Title: **REQUIRE PRIOR LEGISLATIVE AUTHORIZATION FOR SALES, LEASES, OR RENTALS OF CERTAIN PROPERTY BELOW FAIR MARKET VALUE**

Summary Amends G.S. 146-29.1 regarding State land transactions below fair market value where the property in question has an appraised value of over \$1 million. The Legislature may intervene on any disposition of State land below fair market value. The Legislature has until 31 days after convening to pass a bill voiding the transaction.

Section: 36.9

Title: **AUTHORIZE UNC CARRYFORWARD FUNDS TO BE USED FOR REPAIRS AND RENOVATIONS**

Summary Allows UNC to utilize General Funds carried forward from the previous fiscal year for the purpose of repairing and renovating General Fund supported facilities for FY 2013-14.

Section: 36.10

Title: **LIMIT UNC REPAIRS AND MAINTENANCE EXEMPTION**

Summary Amends G.S. 116-13.1(c) to restrict UNC's use of operating funds to fund repair and renovation projects specified in G.S. 143C-4-3(b) and on those facilities supported by the General Fund. The project cost is restricted to \$1 million. Also requires, each constituent institution to report projects funded under G.S. 116-13.1(c) to the Office of State Budget and Management and the Fiscal Research Division within 60 days of project approval.

Section: 36.11

Title: **NATIONAL GUARD PROJECTS**

Summary Sets forth the projects, guidelines, and reporting requirements for the newly created Armory and Facility Development Project and Plan, including:

Subsection (a) lists the 25 individual National Guard projects and the corresponding funding source.

Subsection (b) provides the Adjutant General the discretion in making allocations subject to limitations set forward in subsection (a).

Subsection (c) allows DPS the flexibility to allocate money among the projects to manage costs. However, no project is allowed to receive more than the General Fund allocation specified in subsection (a). DPS may use funds from projects listed in subsection (a) for future project feasibility studies, testing and permitting, and other activities.

Subsection (d) requires a report on the use of funds to the Joint Legislative Commission on Governmental Operations and the Office of State Budget and Management by June 1, 2015 and every two years thereafter.

Subsection (e) amends G.S. 127A to add a new Article 17, Armory and Facility Development Projects and Plan, to establish a reporting and planning requirement for National Guard Armories and Facilities. DPS is required to provide a plan on funding priorities and recommendations by July of each year for armories and facilities to the Director of the Budget and General Assembly.

Subsection (f) amends G.S. 127A-169 to specify that funding for projects subject to the newly established Article 17 do not revert.

Section: 36.13

Title: **CLARIFY GENERAL ASSEMBLY'S AUTHORITY TO MAKE REPAIRS**

Summary Amends G.S. 120-32 to clarify the Legislative Services Commission's authority to use funds for operating and capital.

Section: 36.15

Title: **REPAIR, MAINTENANCE, AND SELF-CONSTRUCTION TO STATE PROPERTY**

Summary Allows State agency employees to perform repair and renovation work on State facilities for projects under \$100,000 without being licensed in the State. The Office of State Construction is allowed to regulate the work performed under this section.

## **2013 Session: HB 112**

**Department:** Capital

Section: 9.1

Title: **TECHNICAL CHANGE: WATER RESOURCES DEVELOPMENT PROJECTS**

Summary Amends S.L. 2013-360, Sec. 36.3(b), 2013 Appropriations Act to correct the written amount of funds appropriated for Water Resources Development Projects to match the numerical amount appropriated.

Section: 9.2

Title: **BUDGET CHANGE: NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

Summary Amends S.L. 2013-360, Sec. 36.4 to add a new project authorization of \$700,000 for a Horse Stall at the Southeastern North Carolina Agricultural Center within the Department of Agriculture and Consumer Services.

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**Information  
Technology Services  
Section N**

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# Information Technology Fund

Budget Code: 24667

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$0</b>	<b>\$2,200</b>
<b>Recommended Budget</b>		
Requirements	<b>\$6,053,142</b>	<b>\$6,053,142</b>
Receipts	<b>\$6,053,142</b>	<b>\$6,053,142</b>
Positions	<b>33.00</b>	<b>33.00</b>

## Legislative Changes

### Requirements:

<b>Criminal Justice Information Network</b>	\$0	R	\$0	R
Provides \$189,563 in each year of the biennium to the Criminal Justice Information Network (CJIN). The CJIN is a statewide criminal justice infrastructure that allows the sharing of information between State and local criminal justice agencies.	\$0	NR	\$0	NR
	0.00		0.00	
 <b>Center for Geographic Information and Analysis</b>	 \$0	 R	 \$0	 R
Provides \$495,338 in each year of the biennium for the Center for Geographic Information and Analysis (CGIA). The CGIA is the lead agency for geographic information systems (GIS) services and GIS coordination for North Carolina. CGIA provides GIS services to State and local governments.	\$0	NR	\$0	NR
	0.00		0.00	
 <b>Enterprise Security Risk Management Office</b>	 (\$248,746)	 R	 (\$248,746)	 R
Reduces funding for Enterprise Security Risk Management to 2011-13 fiscal biennium levels, leaving \$864,148 (recurring) for each year of the biennium. The Enterprise Security and Risk Management Office (ESRMO) is responsible for the development, delivery and maintenance of an information security and risk management program that safeguards the State's information assets and the supporting infrastructure against unauthorized use, disclosure, modification, damage, or loss.	\$0	NR	\$0	NR
	0.00		0.00	

	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
<b>Enterprise Project Management Office</b>	(\$219,116)	R	(\$219,116)	R
Reduces funding for the Enterprise Project Management Office (EPMO) to 2011-13 fiscal biennium levels, leaving \$1,473,285 for FY 2013-14 and FY 2014-15. The EPMO was established to improve the management of IT projects in State government.	\$0	NR	\$0	NR
	0.00		0.00	
<b>Architecture and Engineering</b>	(\$48,354)	R	(\$48,354)	R
Reduces funding for the Office of Enterprise Architecture to 2011-13 fiscal biennium levels, providing \$851,986 for FY 2013-14 and FY 2014-15. The Office acts as a strategic planner and architect for the State's IT programs and is responsible for formulating and advancing a vision for those programs.	\$0	NR	\$0	NR
	0.00		0.00	
<b>State Web Site</b>	\$0	R	\$0	R
Provides funding of \$224,741 for FY 2013-14 and FY 2014-15 to support the operation and maintenance of the State's web site. (S.L. 2013-360, Sec. 7.22)	\$0	NR	\$0	NR
	0.00		0.00	
<b>Enterprise Licenses</b>	\$0	R	\$0	R
Provides funding of \$33,000 for FY 2013-14 and FY 2014-15 for enterprise license agreements. Enterprise license agreements support multiple agencies' IT projects and applications.	\$0	NR	\$0	NR
	0.00		0.00	
<b>Consolidation</b>	(\$383,784)	R	(\$383,784)	R
Reduces funding for consolidation to \$1,021,081 for each year of the biennium to offset other requirements within the Office of the State Chief Information Officer.	\$0	NR	\$0	NR
	0.00		0.00	
<b>Electronic Forms and Digital Signatures</b>	\$900,000	R	\$900,000	R
Provides funding to continue the State's effort to develop an enterprise electronic forms and digital signatures capability. (S.L. 2013-360, Sec. 7.15)	\$0	NR	\$0	NR
	0.00		0.00	
<b>Government Data Analytics Center</b>	\$1,417,515	R	\$1,417,515	R
Provides funding to continue the efforts of the Government Data Analytics Center (GDAC) and the North Carolina Financial Accountability and Compliance Technology System (NCFACCTS) to develop an enterprise business intelligence capability. (S.B. 284; S.L. 2013-360, Sec. 7.10 and Sec. 7.21)	\$1,582,485	NR	\$3,000,000	NR
	8.00		8.00	



2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
<b>Subtotal Legislative Changes</b>	<b>\$1,417,515</b>	R	<b>\$1,417,515</b>	R
	<b>\$1,582,485</b>	NR	<b>\$3,000,000</b>	NR
	8.00		8.00	

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**Receipts:**

<b>Interest</b>	\$2,200	R	\$2,200	R
Accounts for interest generated by the Information Technology Fund during FY 2012-13 and 2013-14.	\$0	NR	\$0	NR

<b>Funding for Government Data Analytics Center</b>	\$1,417,515	R	\$1,417,515	R
Provides funding for the Government Data Analytics Center and the North Carolina Financial Accountability and Compliance Technology System to continue the State's efforts to develop an enterprise business intelligence capability. (S.B. 284; S.L. 2013-360, Sec. 7.10 and Sec. 7.21)	\$1,582,485	NR	\$3,000,000	NR

<b>Subtotal Legislative Changes</b>	<b>\$1,419,715</b>	R	<b>\$1,419,715</b>	R
	<b>\$1,582,485</b>	NR	<b>\$3,000,000</b>	NR

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Revised Total Requirements	<b>\$9,053,142</b>		<b>\$10,470,657</b>	
Revised Total Receipts	<b>\$9,055,342</b>		<b>\$10,472,857</b>	
<b>Change in Fund Balance</b>	<b>\$2,200</b>		<b>\$2,200</b>	
<b>Total Positions</b>	<b>41.00</b>		<b>41.00</b>	

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<b>Ending Unreserved Fund Balance</b>	<b>\$2,200</b>		<b>\$4,400</b>	
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# Information Technology Reserve Fund

Budget Code: 00000

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$0</b>	<b>\$0</b>
<b>Recommended Budget</b>		
Requirements	<b>\$28,000,000</b>	<b>\$31,582,485</b>
Receipts	<b>\$28,000,000</b>	<b>\$31,582,485</b>
Positions	<b>0.00</b>	<b>0.00</b>

## Legislative Changes

### Requirements:

**Prepare/Focus (Strategic Plan)**

Provides \$250,000 in FY 2013-14 to allow the State Chief Information Officer (CIO) to develop a new strategic plan that can be consistently implemented across State agencies, using a cross-agency working group to assess Statewide needs and formulate a plan. To support this effort, the State CIO will retain consultants with public and private sector expertise and estimates a requirement for 1,250 hours of support at \$200 per hour.

	\$0	R		\$0	R
	\$0	NR		\$0	NR
	0.00			0.00	

**Plan (Enterprise Architecture)**

Provides the State CIO with funding of \$1,570,806 in FY 2013-14 and \$2,239,512 in FY 2014-15 to hire personnel with the skills necessary to ensure that the State has an enterprise architecture that can be used as the basis for planning Statewide IT support and integrating agency requirements. As part of this effort, a consistent, detailed business case development process will be created that is based on best practices and ensures that the State acquires the best support at the lowest cost. To facilitate this process, the State CIO plans to recruit personnel with the necessary expertise. These will include the following:

- 1 IT Executive
- 4 IT Managers (2 hired in FY 2013-14 and 2 hired in 2014-15)
- 11 IT Professionals (4 hired immediately, 6 hired 10/01/2013, and 1 hired in FY 2014-15)

	\$0	R		\$0	R
	\$0	NR		\$0	NR
	13.00			16.00	

	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
<b>Build (Project Management)</b>	\$0	R	\$0	R
Provides funding of \$1,507,353 in FY 2013-14 and \$2,882,254 in FY 2014-15 to allow the State CIO to hire staff with the skills required to create and deploy a development model for Cabinet agencies that will assist them in defining software requirements and require standard methodologies for project management and system development. The State CIO has projected the following staffing requirements:	\$0	NR	\$0	NR
1 IT Executive	18.00		26.00	
3 IT Managers (1 to be hired immediately, 1 to be hired 10/01/2013, 1 to be hired 01/01/2014)				
14 IT Analysts (3 to be hired immediately, 6 to be hired 10/1/2013, 5 to be hired 01/01/2014)				
8 IT Analysts for 2014 (6 to be hired 7/1/14, 1 to be hired 10/01/2014, 1 to be hired 01/01/2015)				
<b>Remediation (Equipment Relocation)</b>	\$0	R	\$0	R
Provides the State CIO with funding to move information technology equipment from substandard facilities to State data centers. Funding includes vendor support of \$300,000 in FY 2013-14, and equipment costs of \$800,000 in FY 2013-14 and \$600,000 in FY 2014-15.	\$0	NR	\$0	NR
	0.00		0.00	
<b>Security</b>	\$0	R	\$0	R
Provides nonrecurring funding of \$1.5 million in FY 2013-14 and \$250,000 in FY 2014-15 to allow the State CIO to conduct an assessment of IT security requirements, then implement improvements. To accomplish the assessment, the services of an outside consultant will be required. The State CIO has also identified shortfalls in the IT Security staff and requires an additional IT security specialist, to be hired in January 2014, with an annual salary and benefits totaling \$142,788.	\$0	NR	\$0	NR
	1.00		1.00	
<b>Network Simplification</b>	\$0	R	\$0	R
Provides nonrecurring funding of \$4,832,485 in FY 2014-15 to allow for the upgrade, simplification, and modernization of the State's internal IT infrastructure to accommodate current technology. Applications will also be upgraded.	\$0	NR	\$0	NR
	0.00		0.00	
<b>Desktop Remediation</b>	\$0	R	\$0	R
Provides nonrecurring funding of \$17 million FY 2013-14 and \$13.3 million in FY 2014-15 for the replacement of obsolete computers and applications.	\$0	NR	\$0	NR
	0.00		0.00	

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
<b>MS Office</b>	\$0 R	\$0 R
Provides \$2.3 million in FY 2013-14 and FY 2014-15, and nonrecurring funding of \$1,715,000 in FY 2013-14 to update approximately 50,000 agency software licenses to meet current standards.	\$0 NR 0.00	\$0 NR 0.00
<b>Operate (Standards and Measures)</b>	\$0 R	\$0 R
Requires the State CIO to establish consistent and comparable IT standards and measures. To accomplish this, the State CIO has requested funding of \$185,446 in FY 2013-14 and FY 2014-15 for an IT Executive to be responsible for managing the delivery of IT services for State agencies. To enable this executive to standardize IT, the State CIO will engage the services of a consultant with nonrecurring funding of \$800,000 in FY 2013-14 and \$500,000 in FY 2014-15.	\$0 NR 1.00	\$0 NR 1.00
<b>Customer Data</b>	\$0 R	\$0 R
Facilitates the State CIO's development of a standard State policy regarding access to and use of data held by the State, using the services of a consultant at a nonrecurring cost of \$1 million in FY 2014-15. (S.L. 2013-360, Sec. 7.12)	\$0 NR 0.00	\$0 NR 0.00
<b>Secure Sign-On</b>	\$0 R	\$0 R
Provides recurring funding of \$70,000 and nonrecurring funding of \$3,280,000 in FY 2014-15 for the upgrade of the State's identity management system. This will support the implementation of increasing security requirements for access to certain types of data.	\$0 NR 0.00	\$0 NR 0.00
<b>Innovation Center</b>	\$0 R	\$0 R
Creates an innovation center to encourage collaboration among State agencies, institutions of higher learning, citizens, and the private sector to create information technology solutions with potential benefit to the State and anyone using government services. (S.L. 2013-360, Sec. 7.13)	\$0 NR 0.00	\$0 NR 0.00
<b>Subtotal Legislative Changes</b>	<b>\$0 R</b>	<b>\$0 R</b>
	<b>\$0 NR</b>	<b>\$0 NR</b>
	33.00	44.00

**FY 2013-14**

**FY 2014-15**

**Receipts:**

**Information Technology Reserve Receipts**

Sets IT Reserve receipts at \$28 million in appropriations for FY 2013-14 and \$31,582,485 for FY 2014-15.

\$0 R

\$0 R

\$0 NR

\$0 NR

**Subtotal Legislative Changes**

\$0 R

\$0 R

\$0 NR

\$0 NR

Revised Total Requirements

**\$28,000,000**

**\$31,582,485**

Revised Total Receipts

**\$28,000,000**

**\$31,582,485**

**Change in Fund Balance**

**\$0**

**\$0**

**Total Positions**

**33.00**

**44.00**

**Ending Unreserved Fund Balance**

**\$0**

**\$0**

# Information Technology Internal Service Fund

Budget Code: 74660

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$16,656,521</b>	<b>\$16,656,521</b>
<b>Recommended Budget</b>		
Requirements	<b>\$190,000,000</b>	<b>\$190,000,000</b>
Receipts	<b>\$190,000,000</b>	<b>\$190,000,000</b>
Positions	<b>507.00</b>	<b>507.00</b>

**Legislative Changes**

**Requirements:**

<b>Information Technology Internal Service Fund</b>	\$0	R	\$0	R
Provides funding for the Office of Information Technology Services. For FY 2013-14 and FY 2014-15, the Fund is limited to \$190 million. (S.L. 2013-360, Sec. 7.2)	\$0	NR	\$0	NR
	0.00		0.00	
<b>Subtotal Legislative Changes</b>	<b>\$0</b>	R	<b>\$0</b>	R
	<b>\$0</b>	NR	<b>\$0</b>	NR
	0.00		0.00	

**Receipts:**

<b>IT Internal Service Fund Receipts</b>	\$0	R	\$0	R
Limits receipts for FY 2013-14 and FY 2014-15 to \$190 million each year. (S.L. 2013-360, Sec. 7.2)	\$0	NR	\$0	NR
<b>Subtotal Legislative Changes</b>	<b>\$0</b>	R	<b>\$0</b>	R
	<b>\$0</b>	NR	<b>\$0</b>	NR

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Revised Total Requirements	\$190,000,000	\$190,000,000
Revised Total Receipts	\$190,000,000	\$190,000,000
<b>Change in Fund Balance</b>	\$0	\$0
<b>Total Positions</b>	507.00	507.00
<b>Ending Unreserved Fund Balance</b>	\$16,656,521	\$16,656,521

# Special Provisions

## 2013 Session: SB 402

### Department: Information Technology

Section: 7.1

#### Title: **INFORMATION TECHNOLOGY FUND**

Summary Provides funding of \$9 million in FY 2013-14 and \$10.5 million in FY 2014-15 to support operation of the Office of the State Chief Information Officer (CIO), as well as statewide information technology projects. The provision specifies how the Information Technology Fund is to be used during FY 2013-14 and FY 2014-15. Any changes in specified uses are to be reported to the Joint Legislative Oversight Committee on Information Technology, the Chair and Cochair of the House Appropriations Subcommittee on Information Technology, and the Fiscal Research

Section: 7.2

#### Title: **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND**

Summary Limits the Information Technology Internal Service Fund to \$190 million in receipts for FY 2013-14 and FY 2014-15. The State CIO is required to develop consistent, fully transparent rates by October 31, 2013. The Office of Information Technology Services (ITS) is directed to develop an annual budget for inclusion in the Governor's budget submission. The Office of State Budget and Management (OSBM) is directed to ensure that agencies have an opportunity to adjust their budgets based on rate changes proposed by ITS.

Section: 7.3

#### Title: **INFORMATION TECHNOLOGY RESERVE FUND**

Summary Establishes the Information Technology Reserve Fund in the Office of the State CIO as an interest-bearing, nonreverting fund. The Fund provides \$28 million in FY 2013-14 and \$31 million in FY 2014-15 for infrastructure improvements, security upgrades, and computer replacement. By September 15, 2013, the State CIO is required to provide a time line for completing the initiatives included in the IT Reserve to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division.

Section: 7.4

#### Title: **INFORMATION TECHNOLOGY OPERATIONS**

Summary Requires the State CIO to complete an inventory of server and server locations in State agencies, then develop a server consolidation plan. The State CIO is also to identify technology applications that are hosted by vendors and to develop a plan to provide backup on State-owned infrastructure. The State CIO is to conduct a review of State IT operations and develop a plan to restructure them.

Section: 7.5

#### Title: **STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT**

Summary Allows the Statewide Information Technology Procurement Office to establish fees for agencies using the Office's services.

Section: 7.6

#### Title: **PUBLIC SCHOOL PROCUREMENT OF INFORMATION TECHNOLOGY**

Summary Directs the State CIO to work with the Department of Public Instruction (DPI) and the Governor's Education Council to implement public school cooperative purchasing agreements for the procurement of information technology goods and services to support public schools. Beginning October 1, 2013, the Office of the State CIO and DPI are to provide quarterly reports on the agreements to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division.



Section: 7.7

Title: **INFORMATION TECHNOLOGY CONTRACTS**

Summary Requires the State CIO to develop a plan to consolidate State information technology contracts and to modify bulk purchasing contracts to allow agencies to purchase information technology equipment as needed. By December 15, 2013, the State CIO is required to submit a plan for the bulk purchasing changes to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The State CIO is required to approve any sole source contracts. Information technology contracts are required to include provisions for vendor performance review. The State CIO may require performance assurance measures and may utilize cost savings as vendor incentives. The Office of Information Technology Services may execute three-year contracts when it is in the State's best interest but must submit quarterly reports on the contracts to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division beginning October 1, 2013.

Section: 7.8

Title: **INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT REQUIREMENTS**

Summary Requires Statewide Information Technology Procurement Office and Office of State Budget and Management approval of information technology personal services contracts. Beginning October 1, 2013, the Statewide Information Technology Procurement Office is to report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on its progress toward standardizing IT personal services contracts.

(S.L. 2013-363, Sec. 2.3, Modifications/2013 Appropriations Act, amends this item to change the title to Information Technology Personal Service/Convenience Contract and adds OSBM to the review process.)

Section: 7.9

Title: **PREVENT DUPLICATION OF INFORMATION TECHNOLOGY CAPABILITIES**

Summary Requires the Office of the State Chief Information Officer and the Center for Geographic Information and Analysis (CGIA) to adopt measures to prevent the duplication of information technology capabilities in State agencies. By October 1, 2013, the State CIO is to provide a plan to prevent duplication to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. By January 1 of each year, CGIA must submit a report on GIS duplication to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

Section: 7.10

Title: **GOVERNMENT DATA ANALYTICS/DATA SHARING**

Summary Establishes a Government Data Analytics Center (GDAC) in the Office of the State Controller (OSC) and directs OSC to institute a data integration and data-sharing initiative. The Criminal Justice Law Enforcement Automated Data System (CJLEADS) and the North Carolina Financial Accountability and Compliance Technology System (NCFACS) are to be included in GDAC. State agencies are required to participate and to share data required for GDAC initiatives. (S.B. 284)

(S.L. 2013-363, Sec. 2.4, Modifications/2013 Appropriations Act, amends this item to allow exceptions to data sharing requirements when limited or prohibited by federal law.)

Section: 7.11

Title: **STATE INFORMATION TECHNOLOGY DATA ARCHIVING**

Summary Requires the State CIO to investigate the feasibility of creating an enterprise data archiving system. By December 1, 2013, the State CIO is to report his findings to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

Section: 7.12

Title: **INFORMATION TECHNOLOGY/PRIVACY PROTECTION OF CITIZEN DATA**

Summary Directs the Joint Legislative Oversight Committee on Information Technology, in collaboration with the State CIO, to study establishing State requirements to safeguard the personal data collected and managed by all branches of State government. The Committee may report any legislative proposals to the General Assembly.

Section: 7.13

Title: **STATE INFORMATION TECHNOLOGY INNOVATION CENTER**

Summary Allows the State CIO to operate a State Information Technology Innovation Center to develop and demonstrate technology solutions with potential benefit to the State and its citizens. In operating the Center, the State CIO is required to ensure that all State laws, rules, and policies are followed. Beginning July 1, 2013, the State CIO is to submit quarterly reports to the Joint Legislative Oversight Committee on Information Technology on initiatives being developed and implemented within the Center.

Section: 7.14

Title: **ENTERPRISE GRANTS MANAGEMENT**

Summary Continues the State's effort to develop an enterprise, or statewide, grants management system. The provision transfers the project from the Office of the State Controller to the Office of the State Chief Information Officer. A Grants Management Oversight Committee is established to coordinate the development of the system. Beginning September 1, 2013, the State CIO is to report quarterly to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the system status.

Section: 7.15

Title: **ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES**

Summary Continues the development of an enterprise, or statewide, electronic forms and digital signatures system, and transfers responsibility for the project from the Office of the State Controller to the Office of the State CIO. Beginning November 1, 2013, the State CIO is required to submit quarterly reports on the status of the project to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

Section: 7.16

Title: **VEHICLE MANAGEMENT**

Summary Requires the Office of the State CIO to develop an implementation plan for establishing a statewide motor fleet management system and to report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division beginning October 1, 2013. The State CIO is also required to study the feasibility of implementing a tracking system for State vehicles and to report to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Program Evaluation Oversight Committee, and the Fiscal Research Division by November 15, 2013. State and local governments are prohibited from procuring or operating an unmanned aircraft system without approval from the State CIO. The State CIO may develop a proposal for the implementation of an unmanned aircraft system program, which, if developed, is to be submitted to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division by March 1, 2014.

Section: 7.17

Title: **TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE PARTNERSHIP AUTHORIZED**

Summary Allows the Secretary of Revenue to enter into an additional public-private arrangement in order to continue the implementation of the Tax Information Management System (TIMS), and provides an additional \$16 million to support this effort. The TIMS public-private partnerships end June 30, 2018. An additional \$8.8 million in funding is made available for internal costs. Beginning August 1, 2013, the Department of Revenue is required to submit quarterly written reports on the status of the project to the Chairs of the House of Representatives Appropriations Committee, the Chairs of the Senate Committee on Appropriations/Base Budget, the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

(S.L. 2013-363, Sec. 2.1, Modifications/2013 Appropriations Act, amends this item to increase available funding for internal costs to \$11.8 million.)

Section: 7.18

Title: **USE OF MOBILE COMMUNICATIONS DEVICES**

Summary Requires State agencies, beginning October 1, 2013, to submit their mobile communications devices policy, as well as quarterly reports on the use of mobile communications devices within their agencies to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The State CIO is directed to review current mobile communications device contracts and develop a plan to consolidate them. The Office of the State CIO is also directed to develop a "bring your own device" plan and submit the plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by September 1, 2013.

Section: 7.19

Title: **NEXT GENERATION SECURE DRIVER LICENSE SYSTEM**

Summary Requires the Department of Transportation Chief Information Officer to submit a detailed report on the status of the Next Generation Secure Driver License System to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division by August 1, 2013.

Section: 7.20

Title: **STATE TITLING AND REGISTRATION SYSTEM/STATE AUTOMATED DRIVER LICENSE SYSTEM/LIABILITY INSURANCE TRACKING AND ENFORCEMENT SYSTEM**

Summary Requires the Department of Transportation Chief Information Officer to submit a detailed report on the status of the State Titling and Registration System (STARS), the State Automated Driver License System (SADLS), and the Liability Insurance Tracking and Enforcement System (LITES) to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division by August 1, 2013.

Section: 7.21

Title: **GDAC/LOCAL GOVERNMENTS/OPTIONAL COLLECTION AGREEMENTS**

Summary Permits a city or county to enter into an interagency agreement with the Department of Revenue and the Government Data Analytics Center (GDAC) to manage the collection of outstanding unpaid parking fines and penalties.

Section: 7.22

Title: **STATE PORTAL**

Summary Allows the State CIO to develop a plan to implement an electronic portal.

(S.L. 2013-363, Sec. 2.2, Modifications/2013 Appropriations Act, amends this item to require the State CIO to authorize any fees charged for the State portal and to report those fees to the Joint Legislative Oversight Committee on Information Technology.)

## 2013 Session: HB 112

**Department:** Information Technology

Section: 2.1

Title: **BUDGET CHANGE: TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE PARTNERSHIPS**

Summary Amends S.L. 2013-360, Sec. 7.17, Appropriations Act of 2013, to increase the amount of available funding that the Department of Revenue may use to fund internal costs for the Tax Information Management System (TIMS) from \$8.8 million to \$11.8 million.

Section: 2.2

Title: **TECHNICAL CHANGE: STATE PORTAL**

Summary Amends S.L. 2013-360, Sec. 7.22, Appropriations Act of 2013, to require State CIO authorization of any fees charged by a State portal. The State CIO is required to report any fees charged for the State portal to the Joint Legislative Oversight Committee on Information Technology.

Section: 2.3

Title: **TECHNICAL CHANGE: INFORMATION TECHNOLOGY PERSONAL SERVICE/CONVENIENCE CONTRACT**

Summary Amends S.L. 2013-360, Sec. 7.8, Appropriations Act of 2013, changing the title to limit the provision's review of IT personal services contracts to convenience contracts. The provision also adds the Office of State Budget and Management to the review process for IT personal services contracts.

Section: 2.4

Title: **TECHNICAL CHANGE: GOVERNMENT DATA ANALYTICS/DATA SHARING**

Summary Amends S.L. 2013-360, Sec. 7.10, Appropriations Act of 2013, to allow exceptions to GDAC data sharing requirements when the data sharing is limited or prohibited by federal law.

**Salaries  
&  
Benefits  
Section 0**

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## Statewide Reserves: Salaries

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### **State Funded Compensation**

The State provides funding for salaries for employees of State agencies, departments, and institutions, universities, and a majority of the personnel employed by local public schools and community colleges. The General Fund payroll base is estimated to exceed \$11.1 billion for FY 2013-14. Total payroll is expected to exceed \$15.6 billion, including receipts from State agencies, universities, local public schools, and community colleges.

### **Salary Freeze**

The 2013 Session of the General Assembly reinstated the freeze on most salary increases for State employees as enacted during the 2009 and 2011 Sessions including the freeze on automatic salary increases for certain employee groups. S.L. 2013-360, Sec. 35.8, Appropriations Act of 2013, (summarized below) specifies certain exceptions to the general salary freeze and allows for retention and equity increases for employees of The University of North Carolina and the North Carolina Community College System.

The General Assembly also maintained the freeze on public school teacher, principal, and assistant principal salaries. Teachers, principals, and assistant principals, who have gained an additional year of experience, will move up one step on the experienced based schedules but their salaries will remain the same. Tables 1 and 2 are the experience-based step schedules in effect for FY 2013-14.

### **Historical Compensation Information**

Three tables at the end of the Salaries section provide historical compensation information, including:

1. The estimated cost of a 1 percent across-the-board salary increase from FY1975-76 to FY 2013-14;
2. All legislative salary increases for State employees and teachers from FY 1973-74 through FY 2013-14; and
3. The average salary of State employees subject to the State Personnel Act from FY 1970-71 through FY 2012-13.

**Special Provisions**  
**Session Law 2013-360, Senate Bill 402**

**SECTION 35.1 GOVERNOR AND COUNCIL OF STATE**

Sets the salaries of the Governor and members of the Council of State and requires these salaries to remain unchanged from the FY 2012-13 rates for the 2013-15 fiscal biennium.

**SECTION 35.2 CERTAIN EXECUTIVE BRANCH OFFICIALS**

Sets the salaries of certain executive branch officials and requires these salaries to remain unchanged from the FY 2012-13 rates for the 2013-15 fiscal biennium.

**SECTION 35.3 JUDICIAL BRANCH**

Sets the salaries of judicial branch officials and requires these salaries to remain unchanged from the FY 2012-13 rates for the 2013-15 fiscal biennium. Subsection (b) states that the annual salaries of employees of the Judicial Department shall also remain unchanged from FY 2012-13, including the salaries of assistant and deputy clerks and magistrates.

**SECTION 35.4 LEGISLATIVE BRANCH**

Requires the salaries of members of the General Assembly and legislative branch employees to remain unchanged from the FY 2012-13 rates for the 2013-15 fiscal biennium. Salaries of members of the General Assembly have not changed since 1994.

**SECTION 35.5 COMMUNITY COLLEGES PERSONNEL**

Requires the salaries of nonfaculty and professional staff employees whose salaries are supported by the State's General Fund to remain unchanged from the FY 2012-13 rate for the 2013-15 fiscal biennium. Subsection (b) applies the salary freeze to community college faculty whose salaries are supported by the State's General Fund and sets the minimum salaries for nine-month, full-time curriculum community college faculty at the FY 2012-13 rates for the 2013-15 fiscal biennium.

**SECTION 35.6 UNIVERSITY OF NORTH CAROLINA SYSTEM**

Applies the statewide salary freeze to employees of the University of North Carolina System, including exempt faculty, exempt nonfaculty, employees subject to the State Personnel Act, teachers employed by the North Carolina School of Science and Mathematics, employees of the University of North Carolina Health Care System, and employees of the Medical Faculty Practice Plan at East Carolina University.

**SECTION 35.7 MOST STATE EMPLOYEES**

Extends the statewide salary freeze to most State employees, including permanent full-time employees subject to the State Personnel Act; permanent full-time employees exempt from the State Personnel Act; permanent part-time employees; and temporary and permanent hourly State employees.

**SECTION 35.8 SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES/NO AUTOMATIC INCREASES/AUTHORIZED SALARY ADJUSTMENT FUND ACTIONS NOT PROHIBITED**

Authorizes exceptions to the freeze on employee salaries under certain circumstances, including increases under the Salary Adjustment Fund and changes due to an increase in job duties or responsibilities whether through promotion, in-range adjustments, or career progression for demonstrated competencies.



Subsection (b)(1a) allows the salaries for employees of the North Carolina Community College System to increase if the increase is either funded from local funding sources or for the purposes of retention or equity.

Subsection (b)(2) allows the salaries for faculty of The University of North Carolina to increase by using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund. Salaries of faculty, non-faculty, and other employees may be increased if the increase is either funded from non-State funding sources or for the purposes of retention or equity.

Subsection (b)(3) allows the salaries of employees of the judicial branch to increase using local funds as authorized by G.S. 7A-300.1.

Subsection (b) caps the cumulative salary adjustment at ten percent (10%) of annual salary in any one year of the biennium unless an authorized body approves the increase in advance. Authorizing bodies include but are not limited to the Office of State Budget and Management (OSBM), The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, and the local boards of education.

Subsections (c) through (f) freeze automatic salary step increases and other compensation increases, including bonuses, for assistant and deputy clerks of superior court and magistrates, the State Highway Patrol, the Office of the Commissioner of Banks, and employees of the Lottery Commission.

#### **SECTION 35.9 MONITOR ON MOST SALARY INCREASES**

Directs OSBM and the Office of State Personnel (OSP) to monitor State agencies, departments and institutions, the judicial branch, and the University of North Carolina's compliance with the freeze on most salary increases. OSBM and OSP must submit a compliance report to the General Assembly quarterly. The Legislative Services Officer is also required to report quarterly on its compliance with the salary freeze.

#### **SECTION 35.10 ESTABLISH SEVERANCE EXPENDITURE RESERVE**

Establishes a severance expenditure reserve of \$16 million to fund severance salary continuation and health benefit coverage premiums for employees reduced-in-force.

#### **SECTION 35.10A FLEXIBILITY FOR SALARY DETERMINATIONS FOR CERTAIN LICENSED PROFESSIONAL EMPLOYEES**

Grants all State agencies, departments, and institutions salary administration flexibility for licensed physicians, dentists, nurses, physicians assistants, pharmacists, and other allied health professionals. The flexibility must be exercised within existing resources and may not exceed OSP-established salary range maximums.

#### **SECTION 35.10B SALARY ADJUSTMENT FUND**

Provides funding to support agency and university requests for salary increases due to reallocations, in-range adjustments for job change, labor market, or equity issues; career progression; salary range revisions; geographic site differential adjustments; and/or any other adjustment related to an increase in job duties or labor market changes.

Section (d) authorizes the Department of Transportation to use up to \$3 million of funds available for salary increases consistent with the uses of the Salary Adjustment Fund.

### **SECTION 35.10C SPECIAL ANNUAL LEAVE BONUS**

Provides five bonus annual leave days to full-time permanent employees of the State, community college institutions, and local boards of education. A pro rata share of the leave is given to part-time permanent employees. Bonus annual leave days must be used during FY 2013-14 and will expire on June 30, 2014 if not used. Bonus annual leave shall not be paid in a lump sum upon termination unless the employee retires immediately after termination.

### **SECTION 35.11 TEACHER SALARY SCHEDULE**

Sets the monthly salary schedule for the 2013-14 school year for certified personnel of North Carolina public schools.

Subsection (b) sets the annual longevity schedule for certified personnel.

Subsection (c) maintains the monthly salary supplements to the “M” salary schedule. The supplement for certified personnel with a six-year degree is \$126 monthly, and the doctoral degree monthly supplement is \$253.

Subsections (d), (e), and (f) set the salary schedule for school psychologists, speech pathologists, and school nurses.

Subsection (g) includes instructional support personnel within the term “teacher.”

Subsection (h) requires that employees paid on the teacher salary schedule shall not move up a step or receive an automatic step increase or other increase during FY 2014-15 unless authorized by the General Assembly.

Table 1 provides the monthly salary schedules for the 2013-14 school year. This is a 10-month salary schedule and includes four schedules for:

1. Teachers with a bachelor’s degree (“A” schedule);
2. Teachers with a bachelor’s degree and National Board for Professional Teaching Standards (NBPTS) certification;
3. Teachers with a master’s degree (“M” schedule); and
4. Teachers with a master’s degree and National Board for Professional Teaching Standards (NBPTS) certification.

Advanced degree supplements are added to these monthly salaries and longevity payments are calculated based upon actual teacher pay.

**TABLE 1: Monthly Teacher Salary Schedule<sup>1</sup>**

2013-14 School Year

NBPTS Bonus = 12%, Master's Bonus = 10% greater than the "A" Schedule

<b>Years of Experience</b>	<b>"A" Teachers</b>	<b>NBPTS Certification</b>	<b>"M" Teachers<sup>2</sup></b>	<b>NBPTS Certification</b>
0-2	\$3,080	N/A	\$3,388	N/A
3-5	\$3,080	\$3,450	\$3,388	\$3,795
6	\$3,122	\$3,497	\$3,434	\$3,846
7	\$3,167	\$3,547	\$3,484	\$3,902
8	\$3,303	\$3,699	\$3,633	\$4,069
9	\$3,445	\$3,858	\$3,790	\$4,245
10	\$3,580	\$4,010	\$3,938	\$4,411
11	\$3,711	\$4,156	\$4,082	\$4,572
12	\$3,816	\$4,274	\$4,198	\$4,702
13	\$3,865	\$4,329	\$4,252	\$4,762
14	\$3,914	\$4,384	\$4,305	\$4,822
15	\$3,965	\$4,441	\$4,362	\$4,885
16	\$4,015	\$4,497	\$4,417	\$4,947
17	\$4,066	\$4,554	\$4,473	\$5,010
18	\$4,118	\$4,612	\$4,530	\$5,074
19	\$4,171	\$4,672	\$4,588	\$5,139
20	\$4,226	\$4,733	\$4,649	\$5,207
21	\$4,282	\$4,796	\$4,710	\$5,275
22	\$4,337	\$4,857	\$4,771	\$5,344
23	\$4,397	\$4,925	\$4,837	\$5,417
24	\$4,456	\$4,991	\$4,902	\$5,490
25	\$4,515	\$5,057	\$4,967	\$5,563
26	\$4,577	\$5,126	\$5,035	\$5,639
27	\$4,639	\$5,196	\$5,103	\$5,715
28	\$4,706	\$5,271	\$5,177	\$5,798
29	\$4,771	\$5,344	\$5,248	\$5,878
30	\$4,836	\$5,416	\$5,320	\$5,958
31	\$4,903	\$5,491	\$5,393	\$6,040
32	\$4,972	\$5,569	\$5,469	\$6,125
33	\$5,044	\$5,649	\$5,548	\$6,214
34	\$5,116	\$5,730	\$5,628	\$6,303
35	\$5,215	\$5,841	\$5,737	\$6,425
36+	\$5,318	\$5,956	\$5,850	\$6,552

<sup>1</sup> Teachers are paid for 10 months per year based upon years of experience. Those with bachelor's degrees are paid on the "A" schedule while those with master's degrees are paid on the "M" schedule. Teachers with National Board for Professional Teaching Standards certification receive a NBPTS bonus, reflected in the NBPTS columns above.

<sup>2</sup> S.L. 2013-360, Sec. 8.22, Appropriations Act of 2013 phases out the Masters supplement starting in FY 2014-15. Starting in FY 2014-15 no teacher will be paid on the M schedule unless the teacher received the salary supplement prior to the 2014-15 school year.

## **SECTION 35.12 SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

Establishes the salary schedules and policies for school-based administrators.

Subsection (a) sets the salary schedule for the 2013-14 school year for principals and assistant principals.

Subsection (b) and (c) defines the appropriate classification and experience-based step placement on the salary schedule for principals and assistant principals except for principals at alternative and cooperative innovative high schools. Classification is based on the number of teachers and assistant principals paid from State funds that the position supervises. The beginning classification for principals at alternative and cooperative innovative high schools shall be the Principal III level except for principals at these schools who supervise 33 or more teachers and assistant principals; these principals shall be classified in the same manner as principals at traditional public schools. Placement on the experience-based step is based on total number of years of experience as a certificated employee of the public schools with an additional step for every three years of experience as a principal.

Subsection (d) maintains the monthly salary supplements for school-based administrators with a six-year degree at \$126 monthly and central office personnel with a doctoral degree at \$253 monthly.

Subsection (e) sets the annual longevity schedule for school-based administrator positions at the longevity rates provided to State employees under the State Personnel Act.

Subsection (f) guarantees that a principal reassigned to a higher or lower classification due to being transferred to a school with a different number of State-allotted teachers shall be placed on the salary schedule as if the principal's entire career had been served at the job classification of the new school.

Subsection (g) requires that participants in an approved full-time masters in-school administration program to receive up to a 10-month stipend, which shall not exceed the difference between the beginning salary of an assistant principal plus program costs (tuition, fees, and books) and any fellowship funds received.

Subsection (h) requires administrators with a one-year provisional assistant principal's certificate to be placed at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

Subsection (i) prohibits employees paid on the school-based administrator salary schedule from move up a step or receiving an automatic step increase or other increased during FY 2014-15 unless authorized by the General Assembly.

Table 2 provides the 10-month monthly salary schedule for all principal and assistant principal classifications for the 2013-14 school year.

**TABLE 2: Principal and Assistant Principal Base Salary Schedule**  
 2013-14 School Year

Yrs of Exp.	Principal <sup>1</sup>								
	Asst.	I (0-10)	II (11-21)	III (22-32)	IV (33-43)	V (44-54)	VI (55-65)	VII (66-100)	VIII (101+)
0-9	\$3,828	-	-	-	-	-	-	-	-
10	\$3,977	-	-	-	-	-	-	-	-
11	\$4,123	-	-	-	-	-	-	-	-
12	\$4,240	-	-	-	-	-	-	-	-
13	\$4,295	\$4,295	-	-	-	-	-	-	-
14	\$4,348	\$4,348	-	-	-	-	-	-	-
15	\$4,406	\$4,406	\$4,461	-	-	-	-	-	-
16	\$4,461	\$4,461	\$4,518	-	-	-	-	-	-
17	\$4,518	\$4,518	\$4,575	\$4,634	-	-	-	-	-
18	\$4,575	\$4,575	\$4,634	\$4,695	\$4,757	-	-	-	-
19	\$4,634	\$4,634	\$4,695	\$4,757	\$4,819	\$4,885	-	-	-
20	\$4,695	\$4,695	\$4,757	\$4,819	\$4,885	\$4,951	-	-	-
21	\$4,757	\$4,757	\$4,819	\$4,885	\$4,951	\$5,017	\$5,085	-	-
22	\$4,819	\$4,819	\$4,885	\$4,951	\$5,017	\$5,085	\$5,154	\$5,300	-
23	\$4,885	\$4,885	\$4,951	\$5,017	\$5,085	\$5,154	\$5,229	\$5,373	\$5,447
24	\$4,951	\$4,951	\$5,017	\$5,085	\$5,154	\$5,229	\$5,300	\$5,447	\$5,524
25	\$5,017	\$5,017	\$5,085	\$5,154	\$5,229	\$5,300	\$5,373	\$5,524	\$5,603
26	\$5,085	\$5,085	\$5,154	\$5,229	\$5,300	\$5,373	\$5,447	\$5,603	\$5,684
27	\$5,154	\$5,154	\$5,229	\$5,300	\$5,373	\$5,447	\$5,524	\$5,684	\$5,794
28	\$5,229	\$5,229	\$5,300	\$5,373	\$5,447	\$5,524	\$5,603	\$5,794	\$5,909
29	\$5,300	\$5,300	\$5,373	\$5,447	\$5,524	\$5,603	\$5,684	\$5,909	\$6,027
30	\$5,373	\$5,373	\$5,447	\$5,524	\$5,603	\$5,684	\$5,794	\$6,027	\$6,148
31	\$5,447	\$5,447	\$5,524	\$5,603	\$5,684	\$5,794	\$5,909	\$6,148	\$6,271
32	\$5,524	\$5,524	\$5,603	\$5,684	\$5,794	\$5,909	\$6,027	\$6,271	\$6,396
33	\$5,603	\$5,603	\$5,684	\$5,794	\$5,909	\$6,027	\$6,148	\$6,396	\$6,524
34	\$5,684	\$5,684	\$5,794	\$5,909	\$6,027	\$6,148	\$6,271	\$6,524	\$6,654
35	\$5,794	\$5,794	\$5,909	\$6,027	\$6,148	\$6,271	\$6,396	\$6,654	\$6,787
36	\$5,909	\$5,909	\$6,027	\$6,148	\$6,271	\$6,396	\$6,524	\$6,787	\$6,923
37	-	\$6,027	\$6,148	\$6,271	\$6,396	\$6,524	\$6,654	\$6,923	\$7,061
38	-	-	\$6,271	\$6,396	\$6,524	\$6,654	\$6,787	\$7,061	\$7,202
39	-	-	\$6,396	\$6,524	\$6,654	\$6,787	\$6,923	\$7,202	\$7,346
40	-	-	-	\$6,654	\$6,787	\$6,923	\$7,061	\$7,346	\$7,493
41	-	-	-	\$6,787	\$6,923	\$7,061	\$7,202	\$7,493	\$7,643
42	-	-	-	-	\$7,061	\$7,202	\$7,346	\$7,643	\$7,796
43	-	-	-	-	-	\$7,346	\$7,493	\$7,796	\$7,952
44	-	-	-	-	-	-	\$7,643	\$7,952	\$8,111
45	-	-	-	-	-	-	\$7,796	\$8,111	\$8,273
46	-	-	-	-	-	-	-	\$8,273	\$8,438

<sup>1</sup> Principal classification, i.e. Principal I, II, III, etc., is based upon the number of state paid teachers and assistant principals supervised.

### **SECTION 35.13 CENTRAL OFFICE SALARIES**

Sets the monthly salary ranges for central office school administrators.

Subsection (a) sets the salary ranges for assistant superintendents, associate superintendents, director/coordinators, supervisors, and finance officers, at FY 2012-13 rates for the 2013-15 fiscal biennium.

Subsection (b) sets the monthly salary ranges for superintendents at FY 2012-13 rates for the 2013-15 fiscal biennium.

Subsection (c) sets the annual longevity schedule for central office positions at the longevity rates provided to State employees under the State Personnel Act.

Subsection (d) maintains the monthly salary supplements for central office personnel with a six-year degree at \$126 monthly and central office personnel with a doctoral degree at \$253 monthly.

Subsections (e) authorizes the State Board of Education to prohibit local educational agencies from transferring State funds from other funding categories for salaries for central office administrators.

Subsection (f) applies the statewide salary freeze to all permanent full-time personnel paid from the Central Office Allotment.

### **SECTION 35.14 NONCERTIFIED PERSONNEL SALARIES**

Applies the statewide salary freeze to all permanent full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund. Salaries for noncertified personnel shall remain at the FY 2012-13 rates for the 2013-15 fiscal biennium.

### **Additional Legislation**

#### **S. L 2013-382 (H.B. 834) MODERNIZE STATE HUMAN RESOURCE MANAGEMENT/ RTR**

Amends the State Personnel Act (Chapter 126 of the General Statutes) to make organizational and administrative changes to the State Personnel Act in Parts I through IX. These Parts also amend the General Statutes to:

- Rename OSP and the State Personnel Commission to the Office of State Human Resources and the State Human Resources Commission, respectively;
- Increase the number of exempt positions that the Governor can designate to 1500 and add OSBM and the Office of Information Technology to the list of agencies for which the Governor can designate exempt positions;
- Changes the statutes related to notification when changing a position's designation to exempt;
- Modify the statutes on reductions-in-force, probationary employees, and career state employees;
- Revamp the employee grievance procedures; and
- Augment the Governor's authority to reorganize and restructure State government through the Reorganization through Reduction (RTR) program.<sup>1</sup>

#### **SECTION 8.22, S. L 2013-360 (S.B. 402) APPROPRIATIONS ACT OF 2013**

Phases out the Masters degree supplement for teachers starting in FY 2014-15. In FY 2014-15, no teacher shall be paid on the "M" schedule unless the teacher received the salary supplement prior to the 2014-15 school year.

<sup>1</sup> Vj g'Uwo o ct { "qh'J (D0: 56'y cu'cf cr vgf 'Itqo 'vj g'Dkmi'Uwo o ct { 'y j lej 'y cu'f tchvgf 'd { 'Mctgp'Eqej tcpq/Dtqy p'cpf 'Dctdctc'Tkrg { "qh'j g'Tgugctej 'F kxlukqp.'cpf 'lpenmf gf 'uwducpvkcn'eqpvtkdwkqpu'ltqo 'Rj { nku'Rlengw'qh'vj g'Ngi kur'vkg'F tchvpi 'F kxlukqp0 Salaries and Benefits Page O 8

<b>ACROSS-THE-BOARD SALARY COST FOR EACH 1% INCREASE</b>
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*(Millions)*

YEAR	GENERAL FUND	HIGHWAY FUND
1975-76		No Increase Granted
1976-77	13.91	1.73
1977-78	15.79	1.84
1978-79	17.44	2.01
1979-80	18.86	2.13
1980-81	21.29	2.26
1981-82 <sup>a</sup>	25.14	2.51
1982-83		No Increase Granted
1983-84	25.97	2.57
1984-85	27.60	2.70
1985-86	32.10	2.50
1986-87	36.45	2.66
1987-88 <sup>b</sup>	40.84	2.72
1988-89	45.40	2.93
1989-90	47.75	2.93
1990-91	55.90	3.35
1991-92		No Increase Granted
1992-93	54.11	3.39
1993-94	55.75	3.48
1994-95	58.28	3.64
1995-96	63.56	3.96
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 <sup>c</sup>	91.05	4.19
2003-04 <sup>d</sup>	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 <sup>e</sup>	130.65	5.54
2010-11 <sup>e</sup>	129.73	5.40
2011-12 <sup>e</sup>	131.29	5.32
2012-13	133.32	3.89 <sup>f</sup>
2013-14 <sup>e</sup>	135.72	3.80

<sup>a</sup> Estimates reflect annual cost; the increase was not effective until January 1, 1982.

<sup>b</sup> Estimates do not reflect adjustment to offset anticipated savings from the tax sheltering of employee Health Benefits from Social Security tax.

<sup>c</sup> No across-the-board salary increases were funded by the General Assembly for employees in FY 2002-03 except for the salary step increases funded for teachers and school-based administrators.

<sup>d</sup> The General Assembly funded no across-the-board salary increases for employees in FY 2003-04 except for the salary step increases for teachers and school-based administrators and a one-half percent (0.5%) average salary increase for Community College faculty and professional staff.

<sup>e</sup> The General Assembly funded no across-the-board salary increases for employees or teachers

<sup>f</sup> Reduction in the Highway Fund 1% cost was attributable to the Highway Patrol shifting from Highway Fund support to General Fund support for FY 2011-12.

**LEGISLATIVE SALARY INCREASES**

YEAR	STATE EMPLOYEES	TEACHERS
1973-74	5% + (5% for those under \$2.75/hour)	5% + (employment extended 187 to 200 days = 7% salary increase and 1 step added to schedule)
1974-75	7.5%	7.5%
1975-76	-0-	-0-
1976-77	4% + \$300 (average 7.2%)	4% + \$300 (average 6.8%)
1977-78	6.5%	6.5%
1978-79	6%	6%
1979-80	5% + (\$200 one-time bonus payment)	5% + (\$200 one-time bonus payment)
1980-81	10%	10% + (Salary schedule changed = 2% to 10% added top each step of salary range)
1981-82	5% (effective 1-1-82)	5% (effective 1-1-82)
1982-83 <sup>a</sup>	-0-	-0-
1983-84 <sup>a</sup>	5%	5%
1984-85 <sup>a</sup>	10%	10% + 4.8% salary classification adjustment
1985-86 <sup>b</sup>	5% + 1 step increase (9.6%)	1-step increase (4.8%) second year teachers; 2-step increase (9.6%) third or more year teachers
1986-87	\$75 month (average 6%)	6.5%
1987-88	5%	5%
1988-89	4.5%	4.5%
1989-90	4% + 2% merit funds	6.65% average
1990-91	4% + 2% merit funds	6.15% average
1991-92	-0-	-0-
1992-93	\$522	2% average
1993-94	2% + 1% one-time bonus payment	3% average
1994-95	4% + 1% one-time bonus payment	5% - 1-3 years 7% - 4-29 years
1995-96	2%	2%
1996-97	2.5% COLA + 2% career growth	5.5%
1997-98 <sup>c</sup>	2% COLA + 2% career growth	4% - 9%
1998-99	1% COLA + 2% career growth + 1% one-time bonus	4% - 9%
1999-00	1% COLA + 2% career growth + \$125 compensation bonus	4% - 11%
2000-01	2.2% COLA + 2% career growth + \$500 compensation bonus	2.5% - 13.8%



**LEGISLATIVE SALARY INCREASES**

<b>YEAR</b>	<b>STATE EMPLOYEES</b>	<b>TEACHERS</b>
2001-02	\$625	1% - 6.92% (2.86% average)
2002-03	-0-	0% - 5.85% (1.84% average)
2003-04	-0-	1.42% - 5.86% (1.81% average)
2004-05	Greater of a \$1,000 or 2.5% across-the-board increase	1.41% - 5.9% (2.5% average)
2005-06	Greater of a \$850 or 2% across-the-board increase	1.77% - 6.27% (2.24% average)
2006-07	5.5% across-the-board increase	6.45% - 14.05% (8.23% average)
2007-08	4% across-the-board increase	4.05% - 9.53% (5% average)
2008-09	Greater of \$1,100 or 2.74% across-the-board increase	2.39% - 6.63% (3% average)
2009-10	-0-	-0-
2010-11	-0-	-0-
2011-12	-0-	-0-
2012-13 <sup>d</sup>	1.2% across-the-board increase	1.2% across-the-board increase
2013-14	-0-	-0-

- a Salary increment program frozen
- b Conditional upon continuous employment for one year
- c Most teachers received between 4%-9%. Teachers receiving National Board of Professional Teaching Standards (NBPTS) certification were eligible for larger increases.
- d The UNC Board of Governors was given flexibility in the use of compensation increase funds for EPA employees. The State Board of Community Colleges was given flexibility in the use of compensation increase funds for local community college employees.

<b>AVERAGE SALARY OF EMPLOYEES SUBJECT TO THE STATE PERSONNEL ACT</b>
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YEAR	AVERAGE SALARY <sup>a, b</sup>
1970-71	6,748
1972-73	7,680
1973-74	8,249
1974-75	9,013
1975-76	9,092
1976-77	9,431
1977-78	11,060
1978-79	11,756
1979-80	12,677
1980-81	14,233
1981-82	15,329
1982-83	15,329
1983-84	16,026
1984-85	17,587
1985-86	18,742
1986-87	20,290
1987-88	21,305
1988-89	22,272
1989-90	23,105
1990-91	23,397
1991-92	24,665
1992-93	25,152
1993-94	25,645
1994-95	26,605
1995-96	27,087
1996-97	27,473
1997-98	28,166
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
2009-10	41,687
2010-11	41,568
2011-12	41,512
2012-13	42,258

a Prior to 1972, computations were made every two years.

b The average salary figures show 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 the average or at salaries below the average, this resulted in an increase or decrease in average salary levels. **Therefore, changes in average salaries are not measures of salary increases or decreases.**

## Statewide Reserves: Retirement

### State Retirement Systems

The State of North Carolina operates several retirement systems for public employees. The Teachers' and State Employees' Retirement System (TSERS) has the largest membership and assets of all the retirement systems and provides benefits to eligible employees of State agencies, departments, universities, local public schools, and local community colleges. As of December 31, 2011, TSERS had approximately 311,000 contributing members and paid retirement benefits of \$3.7 billion annually to 172,000 beneficiaries. As of December 31, 2011, the market value of assets totaled \$53.4 billion while the actuarially-recognized assets totaled approximately \$58.1 billion. Recognized assets exceed the market value of assets due to the effect of unrecognized investment gains and losses being phased in one-fifth each year to smooth market fluctuations (particularly the significant losses sustained during the 2008 calendar year). TSERS was considered 94% funded (i.e., \$0.94 in assets for each \$1.00 of liabilities) based upon the recognized assets as of December 31, 2011.

The following table reflects the Employer Contribution Rates to TSERS since Fiscal Year 2002-03.

<b>Fiscal Year</b>	<b>Employer Rate</b>
2002-2003	0.00%
2003-2004	0.22%
2004-2005	2.17%
2005-2006	2.34%
2006-2007	2.66%
2007-2008	3.05%
2008-2009	3.36%
2009-2010	3.57%
2010-2011	4.93%
2011-2012	7.44%
2012-2013	8.33%
2013-2014	8.69%

The General Assembly appropriates funds to increase employer retirement contributions to a reserve administered by the Office of State Budget and Management (OSBM). After the budget is enacted, 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 retirement systems.

### Significant Legislative Budget Actions

In 2013, The General Assembly enacted the following recurring General Fund and Highway Fund appropriations to the various retirement system or funds:

<b>State Appropriations</b>	<b>FY 2013-14</b>
General Fund for TSERS	36,000,000
Highway Fund for TSERS	1,121,000
General Fund for Firemen's and Rescue Squad Workers' Pension	(820,000)
<u>General Fund for Judicial Retirement System</u>	<u>1,000,000</u>
<b>TOTAL</b>	<b>\$37,301,000</b>

## **Significant Special Provisions Session Law 2013-360, Senate Bill 402**

### **SECTION 35.15 SALARY-RELATED CONTRIBUTIONS**

Sets the contribution rates for the retirement systems for FY 2013-14. The contribution rate for FY 2013-14 to TSERS is 14.69 percent of payroll. The contribution rate is made up of the following: 8.69 percent of payroll for retirement, 0.44 percent of payroll for the Disability Income Plan, 0.16 percent of payroll for the Death Benefit, and 5.40 percent of payroll for retiree health benefits.

### **Additional Legislation**

#### **S. L. 2013-284 (H.B. 327) FIRE AND RESCUE PENSION REVISIONS OF 2013**

Amends Article 86 of Chapter 58 of the General Statutes, governing the Firefighters' and Rescue Squad Workers' Pension Fund, to make technical, governance, and administrative changes, as follows:

- Adds definitions and makes terms gender neutral.
- Eliminates the Board of Trustees of the Pension Fund and grants its powers and duties to the Board of Trustees of the Local Governmental Employees' Retirement System (Local Board).
- Creates an Advisory Panel to advise the Local Board.
- Clarifies the deadline for submitting member contributions.
- Requires eligible firefighters and rescue squad workers to attend 36 hours of training in each calendar year for which he or she receives service credit. Previously, time in drills or meetings counted toward the required 36 hours.
- Specifies that all withdrawn funds must be paid to the member, regardless of their years of service. Previously, when a member withdrew with less than five years of service, any other entity that had made contributions on the member's behalf could receive a share of the funds.
- Clarifies treatment of those members who are not currently serving as firefighters or rescue squad workers.
- Requires forfeiture of retirement benefits for felonies related to service as a member of the Pension Fund.

#### **S.L. 2013-287 (H.B. 357) RETIREMENT GOVERNANCE CHANGES**

Amends several different statutes governing the boards of trustees that oversee several of the employee retirement systems, as follows:

- Grants powers and duties to the Board of Trustees of TSERS to oversee the National Guard Pension Fund and the Legislative Retirement System. Previously, these powers resided in the Department of State Treasurer and Legislative Services Commission, respectively.
- Grants powers and duties to the Board of Trustees of the Local Governmental Employees' Retirement System to oversee the Registers of Deeds' Supplemental Pension Fund. Previously, these powers resided in the Department of State Treasurer.
- Grants powers and duties to the Supplemental Retirement Board of Trustees to oversee the North Carolina Public School Teachers' and Professional Educators' Investment Plan, a new statewide 403(b) plan for public school employees.

- Grants the Supplemental Retirement Board of Trustees additional powers to hire outside advisors for all of the plans it oversees.
- Grants legal immunity to persons serving on the Supplemental Retirement Board of Trustees under certain circumstances.
- Makes minor changes to the composition of the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

### **S.L. 2013-288 (H.B. 358) RETIREMENT TECHNICAL CHANGES**

Amends several different statutes governing the Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Supplemental Retirement Income Plan, Optional Retirement Program (ORP), and the Disability Income Plan, as follows:

Section 1: Allows members of the Supplemental Retirement Income Plan for State and Local Government Law-Enforcement Officers to make voluntary contributions to the Plan in excess of 10 percent of the member's compensation within any calendar year. Prior to this change, the statute conflicted with the Internal Revenue Code (IRC).

Section 2: Aims to conform and update the State's military service provisions to federal law with respect to the granting of service credit for periods of involuntary military service.

Section 3: Expands the definition of "membership service" in TSERS and LGERS to include membership service transferred from a sister North Carolina Retirement System. The correction in the definition section of these statutes is necessary to protect rights associated with purchases, health insurance coverage, and several other matters.

Section 4: Aligns the definition of retirement for LGERS, LRS, and CJRS with the definition in the statutes for the TSERS. Also corrects a current technical issue in the definition of retirement, to align properly with the IRC.

Section 5: Clarifies that the ORP is permitted to file enrollment elections by electronic means.

Section 6: Clarifies that employers shall be reimbursed for State Health Plan premiums paid during the first six months of Short-Term Disability.

Section 7: Establishes the effective date of retirement as the first day of the month following the short-term disability period, should a member elect to receive an early retirement instead of a long-term disability benefit.

Section 8: Repositions the law regarding improper receipt of a Disability Income Plan benefit and clarifies that the law applies to the fraudulent receipt of any retirement or disability benefit.

Section 9: Requires the North Carolina Association of Rescue and Emergency Medical Services to file a roster with the State Treasurer before January 31 of each year. Also requires the Department of Health and Human Services to furnish a list of ambulance service members to the State Treasurer on or about January 31 of each year.

### **S.L. 2013-405 (H.B. 359) RETIREMENT ADMINISTRATIVE CHANGES**

Salaries and Benefits

Amends several different statutes governing TSERS and LGERS, as follows:

Section 1: Allows members of TSERS to transfer balances that they have in other qualified plans (for example 403(b) plans, local 457 plans, and IRAs) to TSERS and convert the transferred amount into a monthly benefit. The Retirement System and third-party administrator would first transfer the funds to the NC 401(k) Plan and then to TSERS. The plan from which the balance is being transferred would not be allowed to charge a fee for the transfer and it would be required to disclose any existing surrender charges. The transfer is completely voluntary and the conversion to a monthly benefit is based on expected mortality and market interest rates. TSERS members are already allowed to convert NC 401(k) and NC 457 balances into a monthly benefit from TSERS.

Section 2: Clarifies that the amount of any primary Social Security disability benefits that a member was eligible to receive during a given month will be subtracted from the member's long-term disability benefit payment in the month in which such benefits are payable. Currently, the statute allows benefits to be reduced in the month prior to the month in which the beneficiary receives his or her first or increased Social Security benefit payment.

Section 3: Creates a Qualified Excess Benefit Arrangement for the purpose of providing benefits to retirees and/or beneficiaries of TSERS and LGERS, whose benefits would otherwise be limited by Section 415 of the Internal Revenue Code. This provision will sunset for new retirees who retire on or after January 1, 2015.

Section 4: Requires members entering into a domestic relations order to complete a template detailing the order. The template is to be provided on the System website for members of TSERS and LGERS.

Section 5: Allows creditable service, while in receipt of benefits from the Disability Income Plan, to count as membership service for the purpose of recalculation of retirement benefits for those retirees who have returned to service on a full-time basis for at least three years.

Section 6: Allows members who are reinstated to service with back pay and benefits to receive service credits for the period of time they were not working by making payments as follows:

1. When reinstatement is by court order, final decision of ALJ, or decision of the State Personnel Commission, the payment to the retirement system for the service shall be the employee and employer contributions (plus interest if more than 90 days) that would have been paid, or
2. When reinstatement is by settlement agreement by the effected parties, the payment for the service shall equal the full actuarial liability that the additional service puts upon the System.

#### **S.L. 2013-291 (H.B. 391) VOLUNTEER SERVICE IN RETIREMENT**

Amends G.S. 135-1(20) to allow volunteer service on a board of trustees of a community college or constituent institution of the University of North Carolina, or as a guardian ad litem, during the six months following retirement in TSERS.

#### **S.L. 2013-398 (S.B. 558) TREASURER'S INVESTMENTS**

Amends G.S. 147-69 to increase the portion of retirement funds that the State Treasurer may invest in real estate, alternatives, credit, and inflation, and creates a collective cap on these investments of 35% of the market value of the total fund. Requires the Department of State

Treasurer to make additional reports detailing fees and to report when the market value of one of these investment classes increases by more than three percent of the total fund.

**S.L. 2013-316 (H.B. 998) TAX SIMPLIFICATION AND REDUCTION ACT**

Repeals G.S. 105-134.6, which allowed for an individual income tax deduction of up to \$4,000 for retirement benefits received from a public retirement system. Continues to allow deductions for those benefits exempt from taxation pursuant to court order. Also makes many other revenue law changes not related to public retirement systems.

## Statewide Reserves: Health Benefits

### **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 also participate in the Plan under certain conditions. Members of fire departments, rescue squads, and the National Guard may 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 2013, the Plan had 668,741 members. Premiums for health benefit coverage are paid by (1) employees and employing agencies for active employees, (2) retirees and the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total requirements for the Plan are projected to be \$3.0 billion for FY 2013-14.

### **Significant Special Provisions Session Law 2013-360, Senate Bill 402**

#### **SECTION 35.15. SALARY-RELATED CONTRIBUTIONS**

Subsections (c) and (d) set the maximum annual employer contributions for health benefit coverage for eligible employees and retired employees.

#### **SECTION 35.17. SEPARATE INSURANCE BENEFITS PLAN ASSETS/PAYMENT OF HEALTH INSURANCE PREMIUMS FOR LAW ENFORCEMENT OFFICERS**

Amends G.S. 143-166.60 to permit use of the assets of the Separate Insurance Benefits Plan to pay employer health insurance contributions and contribution rates. Directs the Department of State Treasurer to reimburse the General Fund for employer medical premiums and contributions paid on behalf of active and retired law-enforcement officers by the Departments of Public Safety and Justice. The nonrecurring reimbursements are estimated to total \$16.5 million each year of the biennium and appear as an adjustment to availability in Sec. 2.2 of this act. The Separate Insurance Benefits Plan had assets of \$85 million in May, 2013 and annual cash outflow of roughly \$1 million.

#### **SECTION 35.18. STATE HEALTH PLAN BOARD TO CONTROL GROWTH OF EMPLOYER PREMIUM**

Requires the Board of Trustees of the Plan to adopt new plan changes, beyond those already approved as of June 1, 2013, sufficient to reduce the average annual percentage increase in employer premiums over each of the next four years by at least one. For example, if premiums were projected to need to increase by four percent each year without the changes, then the changes would have to reduce the needed increase to no more than three percent each year. The section gives the Board broad discretion over which plan changes to make.



## **Additional Legislation**

### **S.L. 2013-324 (H.B. 232) STATE HEALTH PLAN/STATUTORY CHANGES-AB**

Amends statutes governing the State Health Plan as follows:

Section 1 and Modifications to G.S. 135-48.43(a)(2) in Section 4: Expands eligibility for active employees to participate in the Plan in order to avoid employer penalties under the federal Affordable Care Act, effective January 1, 2015.

Section 2: Repeals G.S. 135-48.40(b)(2), a reference to a class of employee that was eliminated in 1993.

Section 3 and Remaining Parts of Section 4: Aligns enrollment timing for retirees with the timing for active employees by limiting when retirees can enroll themselves and/or their dependents to when they are first eligible for coverage, experience a qualifying event, or during annual enrollment periods.

Section 5: Amends G.S. 135-48.51 to correct a title in a statutory reference.

Section 6: Exempts the Plan from charging interest on past-due accounts receivable.

### **S.L. 2013-379 (H.B. 675) AMEND PHARMACY LAWS**

Section 3 of this Act limits recoupment of claims in pharmacy audits and is expected to slightly reduce the Plan's recoupments and therefore increase net claims. The other sections do not significantly affect the Plan.

Funding for this bill is included in the Reserve for Pending Legislation on page L-3, Item 17.

## **Other Changes Affecting the Plan**

S.L. 2011-85, enacted in 2011, gave broad authority to the State Treasurer and the Plan's Board of Trustees to set premiums and benefit provisions. The Board voted to adopt a number of changes effective January 1, 2014, including the following:

- Increasing employer, employee, retiree, and dependent premiums by 3.57 percent. Because this increase applies for only half of the fiscal year, it matches the 1.8 percent increase in the employer premiums that can be collected over the whole fiscal year in S.L. 2013-360.
- Converting the plan year from the State's fiscal year to the calendar year. The plan "year" beginning July 1, 2013 will last six months. Deductibles and co-insurance maximums for the six month period will be half of what they were during the preceding year.
- Introducing fully-insured Medicare Advantage Prescription Drug Plan (MA-PDP) options for Medicare-eligible retirees. The Traditional (formerly named Basic) 70/30 Plan will remain as-is, but the Standard 80/20 Plan will no longer be offered to this population. MA-PDP options will include Base Plans and Enhanced Plans from both Humana and United Healthcare. All MA-PDP options will offer a passive PPO network, rather than the limited network offered by some MA-PDPs in the individual market.
- Introducing a Consumer Directed Health Plan (CDHP) option for active employees and non-Medicare retirees with the following features:

- Preventive services require no out-of-pocket amounts.
- Annual deductible will be \$1,500 for an individual or \$4,500 for a family.
- Health Reimbursement Account (HRA) funded at \$500 for an employee, \$1,000 for employee + 1, or \$1,500 for employee + 2 or more.
- Additional incentives added to the HRA for a visit to the member's selected primary care physician, certain specialists, and certain hospitals.
- 15 percent coinsurance until an out-of-pocket maximum of \$3,000 for an individual or \$9,000 for a family.
- Dependent premiums 10 percent below those in the 70/30 Plan.
- Pharmacy benefit integrated with the medical benefit, subject to the combined deductible and coinsurance.
- Enhancing benefits in the Enhanced (formerly Standard) 80/20 Plan by providing preventive services with no out-of-pocket requirement, a \$15 copay reduction when the member visits his listed primary care practice, an inpatient copay waiver at Blue Select hospitals, and a \$10 copay reduction at Blue Select specialists.
- Offering wellness incentives for healthy behavior in the CDHP and Enhanced 80/20 Plan. Members get a premium credit for each of the following activities they complete: attestation that they do not use tobacco or are participating in a program to quit, selection of a primary care physician, and completion of an online health assessment. If members complete none of the activities, their premiums will be \$40 per month higher than if they complete all of them. If they complete all activities, their premium in the Enhanced 80/20 Plan will be roughly \$10 per month lower than it would have been without the wellness incentives.
- Increasing the Target Stabilization Reserve from 7.5 percent to 9.0 percent of annual claims.

All of these changes were adopted prior to June 1, 2013 and thus do not count toward the one percentage point reduction required by Section 35.18.

The Board made only minimal changes effective July 1, 2013, including reducing the co-pay for behavioral health services to equal the primary care co-pay and providing dental coverage for accidental injuries, congenital deformity, and diseases due to tumor or infection.

The following page shows the new employee/retiree premium rate structure.

## State Health Plan Calendar Year 2014 Employee/Retiree Monthly Premium Structure

### Active Employees and Non-Medicare Retirees

#### Wellness Plans

	Employee/Retiree Share		
	Employer Share	Complete All Wellness Activities *	Complete No Wellness Activities
Enhanced 80/20 Plan	\$448.11	\$13.56	\$63.56
Consumer-Directed Health Plan	\$448.11	\$0.00	\$40.00

#### Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$448.11	\$0.00

\* Members receive credits for each activity. We have shown all or none for simplicity.

### Medicare Retirees

#### Medicare Advantage Plans

	Employer Share	Employee/Retiree Share
MA-PDP Base Plan	\$348.25	\$0.00
MA-PDP Enhanced Plan	\$348.25	\$33.00

#### Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$348.25	\$0.00

### Dependents

	All Dependents are Non-Medicare			One or More Medicare Dependents		
	Enhanced 80/20	CDHP	Traditional 70/30	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
Employee/Retiree + Children	\$272.80	\$184.60	\$205.12	\$114.50	\$147.50	\$145.94
Employee/Retiree + Spouse	\$628.54	\$475.68	\$528.52	\$114.50	\$147.50	\$383.72
Employee/Retiree + Family	\$666.38	\$506.64	\$562.94	\$229.00	\$295.00	\$418.10

# State Health Plan (Administration)

Budget Code: 28410

	FY 2013-14	FY 2014-15
<b>Beginning Unreserved Fund Balance</b>	<b>\$5</b>	<b>\$5</b>
<b>Recommended Budget</b>		
Requirements	<b>\$195,380,187</b>	<b>\$195,380,187</b>
Receipts	<b>\$195,380,187</b>	<b>\$195,380,187</b>
Positions	<b>46.00</b>	<b>46.00</b>

## Legislative Changes

### Requirements:

<b>Medical Benefits/Claims Processing Contract</b>	(\$19,507,650) R	(\$15,997,012) R
Adjusts the budgeted amounts for Third Party Administrative Services contracts based on newly effective contracts, changes in membership, and on-going administrative services.	\$0 NR 0.00	\$0 NR 0.00
<b>Pharmacy Benefits Management (PBM) Contract</b>	(\$3,020,918) R	(\$11,804,511) R
Adjusts the budgeted amount for the PBM contract based on anticipated contractual costs, changes in membership, and administrative services provided by the PBM. Reflects a full year of the Employer Group Waiver Plan (EGWP) in FY 2013-14.	\$0 NR 0.00	\$0 NR 0.00
<b>Disease &amp; Case Management Contracts</b>	\$1,830,916 R	\$2,808,916 R
Adjusts the budgeted amount for Population Health Management Services contracts based on anticipated contractual costs, changes in membership, and on-going disease and case management services.	\$0 NR 0.00	\$0 NR 0.00
<b>Wellness Initiatives and Programs</b>	(\$177,425) R	(\$379,250) R
Adjusts the budgeted amount for Wellness Initiatives contracts based on on-going contracts, programs, and initiatives and reflecting the expiration of some contracts.	\$0 NR 0.00	\$0 NR 0.00

2013 Annotated Conference Committee Report

	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
<b>Other Administrative Costs</b>	\$6,841,519	R	\$41,043,218	R
Adjusts the budgeted amounts for the Plan's other administrative costs to reflect increased member communications due to plan design changes, enhanced auditing efforts, and anticipated adjustments to contractual costs due to inflation and membership changes. Reflects the transitional reinsurance fee under the federal Affordable Care Act in FY 2014-15.	\$0	NR	\$0	NR
	0.00		0.00	
<b>Department Overhead Allocation</b>	\$1,100,000	R	\$1,100,000	R
Directs the Office of State Budget and Management to create a new fund code for the Department of State Treasurer core services allocation. The amounts in other fund codes may only be used for purposes directly related to the administration of the State Health Plan.	\$0	NR	\$0	NR
	0.00		0.00	
<b>Subtotal Legislative Changes</b>	<b>(\$12,933,558)</b>	R	<b>\$16,771,361</b>	R
	<b>\$0</b>	NR	<b>\$0</b>	NR
	0.00		0.00	
<hr/>				
<b>Receipts:</b>				
<b>Adjust Transfers from Trust Funds</b>	(\$12,933,558)	R	\$16,771,361	R
Adjusts the amount of transfer from the Plan's health benefit trust fund budget codes to support administrative costs authorized for the 2013-15 fiscal biennium.	\$0	NR	\$0	NR
<b>Subtotal Legislative Changes</b>	<b>(\$12,933,558)</b>	R	<b>\$16,771,361</b>	R
	<b>\$0</b>	NR	<b>\$0</b>	NR
<hr/>				
<b>Revised Total Requirements</b>	<b>\$182,446,629</b>		<b>\$212,151,548</b>	
<b>Revised Total Receipts</b>	<b>\$182,446,629</b>		<b>\$212,151,548</b>	
<b>Change in Fund Balance</b>	<b>\$0</b>		<b>\$0</b>	
<b>Total Positions</b>	<b>46.00</b>		<b>46.00</b>	
<hr/>				
<b>Unappropriated Balance Remaining</b>	<b>\$5</b>		<b>\$5</b>	

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# **Finance**

## **Section F**

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# Other Finance Legislation

## 2013 Session: HB 4

Title: **UI FUND SOLVENCY AND PROGRAM CHANGES**

Summary S.L. 2013-2 (H.B. 4) UI Fund Solvency and Program Changes, as amended by S.L. 2013-224 (H.B. 743) UI Laws Administrative Changes and S.L. 2013-391 (S.B. 420) UI Laws Administrative Changes amends G.S. Chapters 58, 96, 97, and 120, making several tax rate and programmatic changes to the unemployment insurance system to accelerate the payment of the \$2.6 billion debt owed to the federal government. These changes are estimated to result in repayment of the debt in 2015. The following major programmatic changes were enacted:

- The maximum benefit is reduced from 26 weeks to 20 weeks,
- A new benefit duration tied to a sliding scale based on the unemployment rate is created,
- The maximum weekly benefit is reduced from \$535 to \$350,
- The calculation of weekly benefits is changed from a formula based on the highest quarter of wages in the past five quarters to a formula based on the average wages received in the most recent two quarters.

S.L. 2013-2 also increases the maximum and minimum State unemployment tax rates by 0.06% and changes the computation of tax rates from a table system to a formula. The tax formula is similar to tax tables in that it calculates the tax rate based on the amount of taxes paid compared to benefits paid out for each employer. Governmental and nonprofit employers that elect to reimburse for benefits paid rather than pay regular UI taxes are required to maintain a 1% reserve for payment of benefits.

# Other Finance Legislation

## 2013 Session: HB 82

Section: 1

Title: **UPDATE REFERENCE TO THE INTERNAL REVENUE CODE**

Summary Amends G.S. 105-228.90(b)(1b) to update North Carolina's reference to the Internal Revenue Code from January 1, 2012 to January 2, 2013. By doing so, North Carolina conforms to federal law that allows 15-year depreciation of leasehold, restaurant, and retail property, repeals the limitation on itemized deductions for filers with incomes below \$300,000 (married filing joint), increases the phase out range for the student loan interest deduction, and provides an exclusion from income for employer-provided educational assistance programs. Conforming to these federal provisions reduces General Fund revenue by \$18 million in FY 2013-14.

Section: 2

Title: **DECOUPLE FROM BONUS DEPRECIATION**

Summary Decouples from bonus depreciation allowed under federal law. This section requires taxpayers to add back 85 percent of the bonus depreciation in the year it is claimed for federal purposes and deduct 20 percent of this amount over the succeeding five years. This section has no fiscal impact. (G.S. 105-130.5 (a)(15b), G.S. 105-130.5(b)(21b), G.S. 105-134.6(c)(8b), G.S. 105-134.6(b)(17b))

Section: 3

Title: **DECOUPLE FROM ENHANCED SECTION 179 EXPENSING**

Summary Decouples from enhanced Section 179 expensing allowed under federal law. Therefore, a taxpayer is subject to a deduction limit of \$25,000 and an investment phaseout starting point of \$200,000 for 2013. Taxpayers are required to add back 85 percent of the additional expensing taken under federal law and deduct 20 percent of this amount over the succeeding five years. This section has no fiscal impact. (G.S. 105-130.5(a)(23a), G.S. 105-130.5(b)(26a), G.S. 105-134.6(c)(15a), G.S. 105-134.6(b)(21a) )

Section: 4

Title: **CONFORM TO EXPANDED WORK OPPORTUNITY TAX CREDIT**

Summary Conforms to the expanded federal work opportunity tax credit for 2013. This section also adjusts the North Carolina credit amount from six percent to three percent of the federal credit for 2013. As a result of this adjustment, this section has no fiscal impact. (G.S. 105-129.16G)

Section: 5

Title: **DECOUPLE FROM TUITION EXPENSE DEDUCTION**

Summary Decouples from federal law by not allowing the deduction for tuition and related expenses for 2013. This section has no fiscal impact. (G.S. 105-134.6(c), G.S. 105-134.6(d)(2))

## Other Finance Legislation

Section: 6

Title: **DECOUPLE FROM INCOME EXCLUSION FOR DISTRIBUTIONS FROM IRAs TO CHARITY**

Summary Decouples from federal law by not allowing an income exclusion for a charitable distribution for 2013 from an individual retirement plan by a person who has attained the age of 70 ½. This section has no fiscal impact. (G.S. 105-134.6(c)(17))

Section: 7

Title: **DECOUPLE FROM INCOME EXCLUSION FOR DISCHARGE OF RESIDENCE INDEBTEDNESS**

Summary Decouples from federal law by not allowing an income exclusion for 2013 for discharge of qualified principal residence indebtedness. This section has no fiscal impact. (G.S. 105-134.6(c)(18))

Section: 8

Title: **DECOUPLE FROM DEDUCTION FOR MORTGAGE INSURANCE PREMIUM AS INTEREST**

Summary Decouples from federal law by not treating mortgage insurance premiums as interest for 2013 for purposes of the mortgage interest deduction. This section has no fiscal impact. (G.S. 105-134.6(c)(19))

Section: 9

Title: **CONFORM TO EARNED INCOME TAX CREDIT**

Summary Conforms to the expanded earned income tax credit under federal law for 2013. This section also adjusts the North Carolina credit amount from 5 percent to 4.5 percent of the federal credit. As a result of this adjustment, this section has no fiscal impact. (G.S. 105-151.31)

Section: 10

Title: **CONFORM TO ADOPTION TAX CREDIT**

Summary Conforms to the expanded adoption tax credit under federal law for 2013. This section also adjusts the North Carolina credit amount from 50 percent to 30 percent of the federal credit. As a result of this adjustment, this section has no fiscal impact. (G.S. 105-151.32)

# Other Finance Legislation

## 2013 Session: HB 112

Section: 11.1

Title: **TECHNICAL CHANGE: FEDERAL LIFELINE PROGRAM DISCOUNT**

Summary Amends G.S. 62-140(a) by removing a requirement for telephone providers, which was funded with a tax credit repealed by S.L. 2013-316, Sec. 2.1(b), Appropriations Act of 2013.

Section: 11.2

Title: **TECHNICAL CHANGE: ELECTRICITY FRANCHISE TAX DISTRIBUTION**

Summary Amends G.S. 105-164.44K(b) to add a statutory reference for purposes of determining the local share of electricity franchise tax.

Section: 11.3

Title: **BUDGET CHANGE: SUNSET EXTENSION FOR TAX CREDIT FOR RENEWABLE FUEL FACILITY**

Summary Amends G.S. 105-129.16D(b) to extend the sunset of the credit for constructing renewable fuel facilities from January 1, 2014 until January 1, 2017 for taxpayers that sign a letter of commitment before September 1, 2013 and begin construction of a facility on or before December 31, 2013.

Section: 11.4

Title: **TECHNICAL CHANGE: SALES TAX EXEMPTION FOR FARMERS**

Summary Amends G.S. 105-164.13E(8)b by replacing the word "refund" with "exemption" to describe the sales tax treatment of farm supplies.

# Other Finance Legislation

## 2013 Session: HB 998

Section: 1.1

Title: **REPLACE THREE-TIERED INDIVIDUAL INCOME TAX RATE SCHEDULE OF 6%, 7%, and 7.75% WITH A FLAT TAX RATE OF 5.8% AND ELIMINATE VARIOUS CREDITS, EXEMPTIONS, AND DEDUCTIONS.**

Summary Subsection (a) recodifies the individual income tax into a new statute (G.S. 105-153)

Subsection (b) repeals (G.S. 105-134.6), eliminating various deductions including:

- Deduction for personal exemptions (G.S. 105-134.6(a1)),
- Standard deduction (G.S. 105-134.6(a2)),
- \$4,000 deduction for government retirement income and \$2,000 deduction for private retirement income (G.S. 105-134.(b)(6)),
- \$50,000 business income deduction (G.S. 105-134.(b)(22)),
- Deduction for severance wages G.S. 105-134.(b)(11)).

Subsection (b) also eliminates various tax credits:

- Child care credit (G.S. 105-151.11),
- Real property donations credit (G.S. 105-151.12),
- Credit for conservation tillage equipment (G.S. 105-151.11),
- Credit for gleaned crop (G.S. 105-151.11),
- Credit for the disabled (G.S. 105-151.11),
- Credit for property taxes paid on farm machinery (G.S. 105-151.11),
- Credit for construction of a poultry composting facility (G.S. 105-151.11),
- Credit for charitable contributions by non-itemizers (G.S. 105-151.11).

Subsection (c) recodifies definition of terms for the individual income tax. (G.S. 105-153.3).

Subsection (d) enacts numerous provisions including:

- Sets tax rate at 5.8% for 2014 (G.S. 105-153.7(a)),
- Increases the standard deduction from a maximum of \$6,000 to \$15,000 for married couples and \$7,500 for individuals. (G.S. 105-153.5 (a)(1)),
- Caps the combined deduction for mortgage interest and property taxes on real estate at \$20,000 (G.S. 105-153.5 (a)(2)),
- Allows all charitable contribution deductions allowed for federal tax purposes (G.S. 105-153.5 (a)(2)).

Subsection (e) increases the child tax credit from \$100 to \$125 per child if adjusted gross income is equal to or less than \$40,000 for couples or \$20,000 for individuals. (G.S. 105-153.10(a))

Subsection (f) makes the changes in Subsections (a) through (e) effective for taxable years beginning on or after January 1, 2014.

# Other Finance Legislation

Section: 1.2

Title: **REDUCE TAX RATE TO 5.75%**

Summary Amends G.S. 105-153.7(a) to reduce individual income tax rate from 5.8 percent in 2014 to 5.75 percent starting in 2015.

Section: 1.3

Title: **CONFORMING CHANGES**

Summary Makes conforming changes to various statutes to reconcile with recodified individual income tax. Individual income tax changes are estimated to reduce General Fund revenue by \$455 million in FY 2014-15.

Section: 2.1

Title: **REDUCE TAX RATE TO 6%**

Summary Subsection (a) amends G.S. 105-130.3 to reduce the corporate income tax rate from 6.9 percent to 6 percent.

Subsection (b) repeals various corporate income tax credits including:

- Credit for Construction of dwelling units for handicapped persons (G.S. 105-130.22),
- Credit for real property donations (G.S. 105-130.34),
- Credit for conservation tillage equipment (G.S. 105-130.36),
- Credit for gleaned crop (G.S. 105-130.37),
- Credit for construction of poultry composting facility (G.S. 105-130.44)

Subsection (c) makes the changes in Subsections (a) and (b) effective for taxable years beginning on or after January 1, 2014.

Section: 2.2

Title: **REDUCE TAX RATE TO 5%**

Summary Subsection (a) amends G.S. 105-130.3 to reduce the corporate income tax rate from 6 percent in 2014 to 5 percent starting in 2015.

Subsection (b) amends G.S. 105-130.3 to add a new section that will reduce the corporate income tax rate by one percent effective in 2016 if net General Fund tax collections for FY 2014-15 exceed \$20.2 billion. Subsection (b) also reduces the corporate income tax rate by one percent effective in 2017 if net General Fund tax collections for FY 2015-16 exceed \$20.975 billion. (G.S. 105-130.3A)

# Other Finance Legislation

Section: 2.3

Title: **EXTEND RESEARCH AND DEVELOPMENT TAX CREDIT**

Summary Extends sunset of research and development tax credit from January 1, 2014 to January 1, 2016 (G.S. 105-129.51(b))

Section: 2.4

Title: **REPEAL EARMARK OF CORPORATE INCOME TAX**

Summary Repeals earmark of corporate income tax for Public School Building Capital Fund (G.S. 115C-546.1(b)) Corporate income tax changes are estimated to reduce General Fund revenue by \$217.9 million in FY 2014-15.

Section: 3.1

Title: **REMOVE SALES TAX CAP ON MOBILE AND MANUFACTURED HOMES**

Summary Amends G.S. 105-164.4 to increase the tax rate on modular home and manufactured home sales to the State general rate of 4.75 percent from the current 2.5 percent on modular homes and 2 percent with a \$300 cap per article on manufactured homes. Effective January 1, 2014, this change generates \$10.2 million in General Fund Revenue in FY 2014-15. The section also repeals G.S. 105-164.44G. The repeal of G.S. 105-164.44G eliminates the tax sharing with counties of the revenue collected under G.S. 105-164(a)(8), the sales tax on modular homes.

Section: 3.2

Title: **REPEAL CERTAIN EXEMPTIONS**

Summary Repeals G.S. 105-164.13(13c), (27), and (28). Repealing these statutes eliminates the sales and use tax exemptions for nutritional supplements sold by chiropractors, food sold in dining rooms operated by educational institutions, and certain sales of newspapers. The repealed exemptions generate \$0.1 million, \$7.8 million, and \$34.0 million in General Fund revenue, respectively. Section 3.2 becomes effective January 1, 2014. The section also modifies G.S. 105-164.13(26) clarifying the sales and use tax exemption for food sold in public, non-public, charter and regional schools. The legislation also modifies G.S. 105-164.15, changing how the general combined rate is administered. These changes have no fiscal impact.

Section: 3.3 (a)

Title: **CREATE INCOME REQUIREMENTS FOR FARMING EXEMPTIONS**

Summary Repeals G.S. 105-164.13(1), (1a), (1b), (2a), (4a), (4c), and (4d) and creates G.S. 105-164.13E, which requires farmers to meet an annual income threshold from farming activities of \$10,000 to qualify for farm-related sales tax exemptions. This change becomes effective July 1, 2014. Creating new income requirements for tax-exempt farmers is expected to generate \$16.5 million in General Fund revenue during FY 2014-15.

## Other Finance Legislation

Section: 3.4 (a)

Title: **REPEAL BAKERY EXEMPTIONS AND SALES TAX HOLIDAYS**

Summary Repeals G.S. 105-164.13(27a), G.S. 105-164.13C, G.S. 105-164.13D, eliminating the sales tax exemption for certain bakery items sold in a bakery thrift store and the sales tax holiday for school items and energy star products. Effective July 1, 2014, these changes generate \$3.9 million, \$14.7 million, and \$1.6 million in General Fund revenue in FY 2013-14.

Section: 3.4 (b)

Title: **CAP NONPROFIT SALES TAX EXEMPTION**

Summary Modifies G.S. 105-164.14(b) limiting the sales tax refund allowed to nonprofit entities at \$45 million (\$31.7 million State and \$13.3 million local). Effective July 1, 2014, this change does not impact General Fund revenue.

Section: 3.5

Title: **EXTEND SALES TAX INCENTIVE SUNSETS**

Summary Modifies G.S. 105-164.14A(a) extending the sunset dates for three sales and use tax incentives from January 1, 2014 to January 1, 2016. The changes extend the sunsets provided to passenger air carriers under G.S. 105-164.14A(a)(1), motor sports teams and motor sports sanctioning bodies under G.S. 105-164.14A(a)(4) and (5). These changes reduce General Fund revenue by \$1.37 million in FY 2014-15, and \$2.7 million for FY 2015-16.

Section: 4

Title: **MODIFY THE TAXATION OF PIPED NATURAL GAS AND ELECTRICITY**

Summary Repeals G.S. 105-116, G.S. 105-116.1, G.S. 105-164.21A, G.S. 159B-27(b), (c), (d), and (e) eliminating the franchise taxes on piped natural gas and electricity and the preferential sales tax rate of 3 percent on electricity, effective July 1, 2014. This section requires the Utilities Commission to change rates charged by these utilities accordingly. This section modifies G.S. 105-164.4(a) to include these utilities in the State sales tax base, taxing them at the combined general rate of 7%, effective July 1, 2014. This section also creates the new G.S. 105-164.44K and G.S. 105-164.44L, which replaces the current tax-sharing of revenues with cities with a distribution of part of the sales tax collected on these items. These changes generate an additional \$123.8 million in General Fund Revenue for FY 2014-15.



# Other Finance Legislation

Section: 5

Title: **REPEAL STATE PRIVILEGE LICENSE TAXES ON MOVIES AND AMUSEMENTS, EXPAND SALES TAX BASE TO ADMISSIONS ON EVENTS AND EXHIBITS**

Summary Repeals G.S. 105-37.1, 105-38.1 and 105-40, the gross receipts franchise tax on live entertainment and movies, effective January 1, 2014. This section modifies G.S. 105-164.4 to include admission charges to a live event, a movie, or an attraction in the State and local sales tax base, effective January 1, 2014. This section also amends G.S. 105-164.13 to exempt from the sales tax base the following admission charges:

- Elementary or secondary school events,
- Agricultural fairs,
- Two nonprofit events,
- Youth athletic contests,
- State attractions.

These changes generate \$16.5 million in General Fund revenue in FY 2014-15.

Section: 6

Title: **EXPAND SALES TAX BASE TO INCLUDE SERVICE CONTRACTS**

Summary Creates G.S. 105-164.3(38b), defining service contracts as an agreement by which the provider agrees to maintain or repair tangible personal property. This section amends G.S. 105-164.4(a) to add subsection (11), which includes service contracts in the State and local sales tax base, effective January 1, 2014. This section modifies G.S. 105-164.13 to include new subsections (61) and (62). The new subsections exempt from sales tax an item used to fulfill a service contract, a service contract for an item exempt from sales tax (except motor vehicles), and transmission, distribution or other network assets contained on utility-owned land, right-of-way, or easement. Expanding the sales tax base to service contracts generates \$29.2 million in General Fund revenue in FY 2014-15.

Section: 7

Title: **ESTATE TAX REPEAL**

Summary Repeals the estate tax on estates of decedents dying on or after January 1, 2013 (G.S. 105-32). This change reduces General Fund revenue by \$57.0 million in FY 2014-15.

Section: 8

Title: **CAP MOTOR FUEL EXCISE TAX AT 37 ½ CENTS A GALLON**

Summary Provides that the motor fuel excise tax rate may not exceed 37 ½ cents a gallon for the period October 1, 2013 through June 30, 2015.

## Other Finance Legislation

Section: 9

Title: **REVENUE LAWS COMMITTEE TO STUDY ISSUES AND PROVIDE REPORT FOR 2014 REGULAR SESSION**

Summary Directs the Revenue Laws Study Committee to study scope, application, and impact of various changes to income, franchise, and privilege taxes.

### **2013 Session: SB 402**

Section: 6.16

Title: **AVIATION FUEL TAX**

Summary Amends Section 3(b) of S.L. 2012-74 to provide a complete refund of the sales tax paid on aviation fuel paid in excess of \$1.25 million for the period January 1, 2011, through June 30, 2011. The original Section 3 of S.L. 2012-74 (H.B. 1015), Economic Development and Finance Changes, clarified and extended the time to apply for a sales tax refund of aviation fuel for FY 2010-11 and FY 2011-12. The refund reduced General Fund revenues by \$3.15 million in FY 2012-13 and by \$1.5 million in FY 2014-15.

Section: 6.17

Title: **RESTORE LOCAL GOVERNMENT HOLD HARMLESS FOR REPEALED REIMBURSEMENTS**

Summary Amends G.S. 105-521 to extend the sunset date for the transitional local government hold harmless payments from August 2012 to August 2013, providing \$7.85 million in payments.

**H.B. 998, S.L. 2013-316,  
Tax Simplification and Reduction Act,  
State Impact, \$ in Millions<sup>1</sup>**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Personal Income Tax <sup>2</sup></b>					
Changes multiple tax rates to flat tax of 5.8% in 2014; 5.75% in 2015					
Increases Standard Deduction to \$15,000 Married Filing Jointly; \$12,000 Head of Household; \$7,500 Single					
Allows greater of standard deduction or itemized deduction of mortgage interest, property taxes, capped at \$20,000 plus all charitable contributions allowed for Federal tax purposes					
Keeps current Child Credit of \$100					
Enhances Child Credit \$25 if AGI below \$40,000					
Eliminates personal exemptions					
Eliminates non-itemizers charitable contribution credit					
Eliminates private and non-Bailey government pension exemption					
Eliminates Real property donations credit					
Eliminates Severance Wage deduction					
Eliminates all other credits without sunsets					
Allows credits to sunset as scheduled, except where noted below					
Subtotal Personal Income Tax Changes	(227.0)	(850.5)	(957.9)	(999.1)	(1,042.0)
Eliminate \$50,000 Business Exemption in 2014	118.7	395.5	421.4	442.0	452.0
<b>Total Personal Income Tax Changes</b>	<b>\$ (108.4)</b>	<b>\$ (455.0)</b>	<b>\$ (536.5)</b>	<b>\$ (557.1)</b>	<b>\$ (590.0)</b>
<b>Corporate Income Tax</b>					
Reduces corporate income tax rate from 6.9% to 6% in 2014 and 5% in 2015	(50.1)	(217.9)	(343.2)	(360.4)	(374.2)
<b>Total Corporate Income Tax Changes</b>	<b>\$ (50.1)</b>	<b>\$ (217.9)</b>	<b>\$ (343.2)</b>	<b>\$ (360.4)</b>	<b>\$ (374.2)</b>
<b>Franchise Tax, Effective 07/01/2014</b>					
Repeals electricity franchise tax; puts electricity sales into sales tax base		(157.0)	(159.0)	(160.6)	(162.2)

**H.B. 998, S.L. 2013-316,  
Tax Simplification and Reduction Act,  
State Impact, \$ in Millions, continued**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Piped Natural Gas, Effective 07/01/2014</b>					
Repeals the tax; taxes gas gross receipts at the state and local sales tax rate		(31.5)	(32.0)	(32.5)	(32.9)
<b>Sales Tax</b>					
<b>Effective 01/01/2014</b>					
Repeals gross receipts tax on live entertainment and movies, puts in sales tax base, adds amusements for which an admission is charged	6.3	16.5	17.2	17.9	18.6
Repeals exemption for nutritional supplements sold by chiropractors	0.1	0.1	0.1	0.1	0.1
Repeals exemption for certain sales of newspapers	2.5	7.8	8.0	8.3	8.6
Repeals food sold in dining rooms operated by educational institutions	14.2	34.0	35.0	36.1	37.1
Expands sales tax to include service contracts	12.2	29.2	31.2	33.2	35.2
Taxes manufactured homes at the State rate	3.0	7.2	7.2	7.2	7.2
Taxes modular homes at the State rate	1.3	3.0	3.0	3.0	3.0
<b>Effective 07/01/2014</b>					
Makes electricity subject to combined general sales tax rate		417.1	427.7	440.5	453.8
Makes piped natural gas subject to combined general sales tax rate		102.3	103.9	105.4	107.0
Distributes part of the franchise tax and piped natural gas to municipalities		(207.1)	(209.4)	(211.6)	(213.8)
Repeals sales and use tax holiday		14.7	15.1	16.1	17.1
Repeals Energy Star sales tax holiday		1.6	1.7	1.8	1.8
Caps combined State and local non-profit refunds at \$45 million					
Repeals exemption for certain bakery items		3.9	4.1	4.2	4.4
Adds a gross receipts requirement for farmers of \$10,000 for the purpose of receiving tax exemptions and refunds		16.5	16.8	17.2	17.5
<b>Total Sales Tax Changes</b>	<b>\$ 39.4</b>	<b>\$ 446.9</b>	<b>\$ 461.6</b>	<b>\$ 479.3</b>	<b>\$ 497.6</b>

**H.B. 998, S.L. 2013-316,  
Tax Simplification and Reduction Act,  
State Impact, \$ in Millions, continued**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Extend certain refunds, exemptions, and credits until 01/01/2016</b>					
R&D Credit		(38.0)	(39.6)		
Aviation fuel for motorsports team		(0.1)	(0.1)	(0.1)	
Professional motorsports team		(0.2)	(0.3)	(0.2)	
Passenger air carriers		(3.0)	(6.0)	(3.0)	
<b>Total Sunset Extensions</b>		<b>\$ (41.3)</b>	<b>\$ (46.0)</b>	<b>\$ (3.3)</b>	<b>\$ -</b>
<b>Projected Revenue</b> <i>(Consensus revenue first two years, growth in the out years uses 20-year average inflation and population growth)</i>	20,465.6	21,387.8	22,307.5	23,266.7	24,267.2
<b>Subtotal Tax Changes</b>	(119.0)	(455.8)	(655.1)	(634.5)	(661.8)
<b>Repeal Estate Tax</b>	(52.0)	(57.0)	(60.0)	(63.0)	(66.0)
<b>Total Tax Changes</b>	(171.0)	(512.8)	(715.1)	(697.5)	(727.8)
<b>Repeal School Capital Building Fund Earmark</b>	84.4	75.0	70.5	74.0	78.0
<b>Net General Fund Revenue Changes</b>	<b>\$ (86.6)</b>	<b>\$ (437.8)</b>	<b>\$ (644.6)</b>	<b>\$ (623.5)</b>	<b>\$ (649.8)</b>
<b>Revised Revenue from Tax Changes plus elimination of School Capital Building Fund/Corporate Income Tax Earmark</b>	<b>\$ 20,379.0</b>	<b>\$ 20,950.0</b>	<b>\$ 21,662.8</b>	<b>\$ 22,643.2</b>	<b>\$ 23,617.4</b>

**H.B. 998, S.L. 2013-316,  
Tax Simplification and Reduction Act,  
Local Impact, \$ in Millions**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Franchise Tax, Effective 07/01/2014</b>					
Repeals electricity franchise tax; puts electricity sales into sales tax base		(187.0)	(189.0)	(190.9)	(192.8)
<b>Piped Natural Gas, Effective 07/01/2014</b>					
Repeals the tax; taxes gas gross receipts at the state and local sales tax rate		(20.1)	(20.4)	(20.7)	(21.0)
<b>Sales Tax</b>					
<b>Effective 01/01/2014</b>					
Repeals gross receipts tax on live entertainment and movies, puts in sales tax base, adds amusements for which an admission is charged	2.7	7.0	7.2	7.5	7.8
Repeals exemption for certain sales of newspapers	1.1	3.3	3.4	3.5	3.6
Expands sales tax to include service contracts	5.1	12.3	13.1	14.0	14.8
Taxes modular homes at the State rate	(0.3)	(0.5)	(0.5)	(0.5)	(0.5)
<b>Effective 07/01/2014</b>					
Distributes part of the franchise tax and piped natural gas to municipalities		207.1	209.4	211.6	213.8
Repeals sales and use tax holiday		6.2	6.4	6.8	7.2
Repeal Energy Star sales tax holiday		0.7	0.7	0.7	0.8
Repeal exemption for certain bakery items		1.7	1.7	1.8	1.8
Adds a gross receipts requirement for farmers of \$10,000 for the purpose of receiving tax exemptions and refunds	5.9	6.9	7.1	7.2	7.4

**H.B. 998, S.L. 2013-316,  
Tax Simplification and Reduction Act,  
Local Impact, \$ in Millions, continued**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Extend certain refunds, exemptions, and credits until 01/01/2016</b>					
Aviation fuel for motorsports team	-	0.0	0.0	0.0	-
Professional motorsports team	-	(0.1)	(0.1)	(0.1)	-
Passenger air carriers	-	(1.3)	(2.5)	(1.3)	-
<b>Total Sunset Extensions</b>		<b>\$ (1.4)</b>	<b>\$ (2.7)</b>	<b>\$ (1.4)</b>	
<b>Total Local Tax Changes</b>	<b>\$ 14.6</b>	<b>\$ 36.2</b>	<b>\$ 36.4</b>	<b>\$ 39.6</b>	<b>\$ 42.9</b>

<sup>1</sup> Data sources include NC Department of Revenue, North American Industry Classification System, U.S. Census Bureau, and the North Carolina BearingPoint Individual Income Tax Model

<sup>2</sup> Fiscal Research utilized the North Carolina BearingPoint Individual Income Tax Model to estimate the impact of the personal income tax changes.

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# Appendices

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**State of North Carolina**  
**Full-time Equivalent Position Counts by Fund Type**  
**(December 2012)**

	General Fund (1)		Highway Fund		Enterprise Fund	Institutional Fund	Internal Service Fund	Special Fund (5)	Trust Fund	Total by Sector
	Appropriated	Receipt	Appropriated	Receipt (2)						
<b>Government Sector</b>										
<b>State Government</b>										
UNC System <sup>(3)</sup>	33,448.82	1,854.84	-	-	-	18,007.92	-	-	7,352.01	<b>60,663.59</b>
Justice and Public Safety	32,127.56	830.99	-	-	-	-	391.00	468.52	22.00	<b>33,840.07</b>
Health & Human Services	6,682.55	10,199.60	-	9.67	3.00	-	-	863.99	27.00	<b>17,785.80</b>
Transportation	-	-	7,190.00	5,980.00	-	-	-	-	-	<b>13,170.00</b>
Natural & Economic Resources	3,671.97	1,624.48	-	75.00	689.00	-	-	2,505.64	221.25	<b>8,787.33</b>
General Government	3,673.60	973.55	10.62	67.00	35.20	-	720.20	389.11	3.00	<b>5,872.28</b>
Education (State Administration)	1,056.50	471.70	-	-	-	-	-	-	10.05	<b>1,538.25</b>
<b>Sub-total</b>	<b>80,661.00</b>	<b>15,955.15</b>	<b>7,200.62</b>	<b>6,131.67</b>	<b>727.20</b>	<b>18,007.92</b>	<b>1,111.20</b>	<b>4,227.26</b>	<b>7,635.31</b>	<b>141,657.33</b>
<b>Local Education</b>										
Public Schools <sup>(3)(4)</sup>	163,786.24	-	30.79	-	-	-	-	-	-	<b>163,817.03</b>
Community Colleges <sup>(3)</sup>	19,328.90	-	-	-	-	-	-	-	-	<b>19,328.90</b>
<b>Sub-total</b>	<b>183,115.14</b>	<b>-</b>	<b>30.79</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,145.93</b>
<b>Total by GAAP Fund Type</b>	<b>263,776.14</b>	<b>15,955.15</b>	<b>7,231.41</b>	<b>6,131.67</b>	<b>727.20</b>	<b>18,007.92</b>	<b>1,111.20</b>	<b>4,227.26</b>	<b>7,635.31</b>	<b>324,803.26</b>

**Notes:**

- 1) Salary Base includes 73 positions in Reserve budget codes.
- 2) Includes 5,452 work order positions funded out of construction and maintenance line-items in the Highway Fund Budget.
- 3) Includes FTE growth due to projected enrollment growth for the 2013-2014 fiscal year.
- 4) The total number contains some non-FTE counts that may slightly overstate the overall total position count.

**Source:** Survey of State Agencies and Other State-funded Institutions, Fiscal Research Division, NC General Assembly, Office of State Budget and Management, February 2013.

**Total General Fund Authorizations as Adjusted to Determine Total Current Operations**

Fiscal Year	Total Authorizations <sup>1</sup>	% 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	Earmarking of Unreserved Fund Balance					
1985-86	5,130,563,978	13.20%	253,503,234	0	0	0	253,503,234	4,877,060,744	12.91%
1986-87	5,531,345,878	7.81%	297,667,245	0	0	0	297,667,245	5,233,678,633	7.31%
1987-88	5,978,265,764	8.08%	173,020,035	0	0	0	173,020,035	5,805,245,729	10.92%
1988-89	6,561,392,895	9.75%	258,659,030	0	0	0	258,659,030	6,302,733,865	8.57%
1989-90	7,266,680,455	10.75%	150,092,738	0	0	0	150,092,738	7,116,587,717	12.91%
1990-91	7,973,824,802	9.73%	106,400,195	0	141,000,000	0	247,400,195	7,726,424,607	8.57%
1991-92	7,825,732,308	-1.86%	0	0	400,000	0	400,000	7,825,332,308 <b>A</b>	1.28%
1992-93	8,209,537,916	4.90%	95,205,570	0	0	0	95,205,570	8,114,332,346 <b>B</b>	3.69%
1993-94	9,317,906,610	13.50%	135,371,704	57,000,000	0	0	192,371,704	9,125,534,906	12.46%
1994-95	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%
1995-96	10,031,584,878	-2.31%	113,522,500	125,000,000	0	0	238,522,500	9,793,062,378	-1.60%
1996-97	10,654,778,229 <b>D</b>	6.21%	157,267,000	0 <b>C</b>	0	47,100,000 <b>E</b>	204,367,000	10,450,411,229	6.71%
1997-98	11,635,189,516 <b>F</b>	9.20%	152,991,120	174,260,955	0	49,354,893 <b>G</b>	376,606,968	11,258,582,548	7.73%
1998-99	13,111,623,293	12.69%	192,199,500	145,000,000	0	447,397,819 <b>H</b>	784,597,319	12,327,025,974	9.49%
1999-2000	14,237,669,453	8.59%	77,059,168	90,000,000 <b>I</b>	0	629,000,000 <b>J</b>	796,059,168	13,441,610,285	9.04%
2000-01	14,383,516,932	1.02%	114,974,172 <b>K</b>	0	120,000,000	270,000,000 <b>L</b>	504,974,172	13,878,542,760 <b>M</b>	3.25%
2001-02	14,863,745,843	3.34%	157,936,000	0	0	0 <b>N</b>	157,936,000	14,705,809,843 <b>M</b>	5.96%
2002-03	14,351,822,876	-3.44%	31,158,000	0	0	0	31,158,000	14,320,664,876	-2.62%
2003-04	14,914,222,783 <b>O</b>	3.92%	27,601,000	15,000,000	0	0	42,601,000	14,871,621,783	3.85%
2004-05	16,024,170,294	7.44%	45,192,000	76,797,361	0	4,500,000 <b>P</b>	126,489,361	15,897,680,933	6.90%
2005-06	17,341,821,310 <b>Q</b>	8.22%	54,960,000	125,000,000	0	0	179,960,000	17,161,861,310	7.95%
2006-07	19,102,281,272	10.15%	206,343,300	222,229,189	0	0	428,572,489	18,673,708,783	8.81%
2007-08	20,817,042,249 <b>R</b>	8.98%	230,741,100	145,000,000	0	0	375,741,100	20,441,301,149	9.47%
2008-09	21,437,970,761	2.98%	129,082,062	69,839,238	0	0	198,921,300	21,239,049,461	3.90%
2009-10	19,039,174,596 <b>S,T</b>	-11.19%	4,875,000	0	0	0	4,875,000	19,034,299,596	-10.38%
2010-11	18,985,738,843 <b>U</b>	-0.28%	11,173,440	0	0	0	11,173,440	18,974,565,403	-0.31%
2011-12	19,849,782,946 <b>V</b>	4.55%	4,535,000	124,500,000	0	0	129,035,000	19,720,747,946	3.93%
2012-13	20,532,971,761 <b>W</b>	3.44%	6,373,330	23,170,924	0	0	29,544,254	20,503,427,507	3.97%
2013-14	20,788,617,645 <b>X</b>	1.25%	27,939,000	150,000,000	0	0	177,939,000	20,610,678,645	0.52%

<sup>1</sup>Includes Local Government Hold Harmless Revenue; additional information is available from the Department of Revenue at <http://www.dor.state.nc.us/publications>.

## Total General Fund Authorizations as Adjusted to Determine Total Current Operations

### Notes

- A Amount shown is net after transfer of \$6.6 million to EHNR operating budget.
- B Amount shown is net after transfer of \$4.4 million to EHNR operating budget.
- C Repairs and 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 FY 1995-96 to a capital improvement reserve.
- D Adjusted to reflect supplemental appropriation for Community Colleges for FY 1996-97 as appropriated by the 1997 Session.
- E \$47.1 million for the Clean Water Management Trust Fund and Wetlands Restoration Fund earmarked from year-end fund balance.
- F Adjusted to reflect Year 2000 Conversion appropriation made for FY 1997-98 by the 1998 Session.
- G \$49.4 million for the Clean Water Management Trust Fund earmarked from year-end fund balance.
- H Includes \$400 million for Bailey/Emory/Patton Reserve (S.L. 1998-212, Sec. 6) and \$47.4 million for Clean Water Management Trust Fund earmarked from year-end fund balance.
- I 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.
- J 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.
- K Includes \$100 million direct appropriation to Repairs and Renovations, due to insufficient year-end fund balance for earmarking.
- L 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.
- M 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.
- N 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.
- O 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.
- P Statutorily established the "JDIG Reserve" to make annual appropriations to the Job Development Investment Grant 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.
- Q Includes an additional \$15 million in emergency funds appropriated mid-year for the Department of Corrections as per S.L. 2006-2 (H.B. 1868).
- R Total Authorizations include additional funding passed in H.B. 265 (Establish High-Risk Pool), H.B. 1517 (Voter-Owned Elections Pilot); and Extra Session: H.B. 4 (Job Maintenance and Capital Development Fund).
- S S.L. 2007-323, Sec. 31.16.3.(c) changed the calculation of the Hold Harmless Distribution effective January 1, 2008.
- T Total Authorizations include additional funding passed in S.L. 2009-475 (Budget Technical Corrections).
- U Total Authorizations include additional funding passed in S.L. 2010-123 (Budget Technical Corrections).
- V Includes a supplemental appropriation of \$20 million from overcollections as authorized in S.L. 2012-2. While the General Assembly authorized an increase in Total Requirements of up to \$299.5 million to prevent a shortfall in the FY 2011-12 Medicaid budget, only the \$20 million in additional overcollections required an adjustment to Total Authorizations; the remaining funds came from unanticipated agency receipts and net appropriations as authorized in S.L. 2012-2 (S.B. 797) and S.L. 2012-57 (H.B. 14).
- W Includes a supplemental appropriation of \$308,100,000 from overcollections and Unreserved Fund Balance as authorized in S.L. 2013-56. While the General Assembly authorized an increase in Total Requirements of up to \$496 million to prevent a shortfall in the FY 2012-13 Medicaid budget, only the \$308.1 million in additional overcollections and Unreserved Fund Balance required an adjustment to Total Authorizations; the remaining funds came from unanticipated agency receipts and net appropriations as authorized in S.L. 2012-56 (H.B. 980) and S.L. 2013-184 (H.B. 336).
- X Total Authorizations include estimated local government Hold Harmless Distributions of \$7,850,000 as enacted in S.L. 2013-360; final distributions had not been made at release of the 2013 Annotated Conference Committee Report.

**North Carolina General Fund Operating Appropriations**  
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education						Health & Human Services		All Other		
	Authorization	Expenditure	Public Schools		Community Colleges		University		as Percent of Total	as Percent of Total		Amount	Total
			Amount	Percent	Amount	Percent	Amount	Percent		Amount	Total		
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%	
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%	

## 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		as Percent of Total	Amount	Total	Amount	Total
				Amount	Percent	Amount	Percent	Amount	Percent					
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	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	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%		
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%		
2001-02	Authorization	14,323,937,462	5,932,964,494	41.4%	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	42.5%	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	12.0%	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%		

**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	as Percent of Total	Amount	as Percent of Total	
				Amount	Percent	Amount	Percent	Amount	Percent					Total
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%	2,895,327,623	13.6%	57.8%	4,956,587,127	23.4%	3,992,449,168	18.8%
	Expenditure	19,629,407,644		8,141,898,009	41.5%	924,402,451	4.7%	2,576,878,422	13.1%	59.3%	4,353,279,435	22.2%	3,632,949,327	18.5%
	Reversion	1,597,477,728	J	223,964,885	14.0%	92,256,109	5.8%	318,449,201	19.9%	39.7%	603,307,692	37.8%	359,499,841	22.5%
	% Unexpended	7.5%		2.7%		9.07%		11.00%			12.17%			9.00%
2009-10	Authorization	19,010,057,199		7,544,465,541	39.7%	1,011,884,279	5.3%	2,738,558,775	14.4%	59.4%	3,912,766,229	20.6%	3,802,382,375	20.0%
	Expenditure	18,507,766,990		7,486,556,464	40.5%	945,298,841	5.1%	2,600,397,012	14.1%	59.6%	3,888,458,569	21.0%	3,587,056,104	19.4%
	Reversion	502,290,209	K	57,909,077	11.5%	66,585,438	13.3%	138,161,763	27.5%	52.3%	24,307,660	4.8%	215,326,271	42.9%
	% Unexpended	2.6%		0.8%		6.58%		5.05%			0.62%			5.66%
2010-11	Authorization	18,958,994,212		7,283,106,776	38.4%	1,050,945,454	5.5%	2,682,309,295	14.1%	58.1%	4,054,984,600	21.4%	3,887,648,087	20.5%
	Expenditure	18,502,920,072		7,261,758,864	39.2%	1,013,809,381	5.5%	2,590,810,462	14.0%	58.7%	4,043,042,916	21.9%	3,593,498,448	19.4%
	Reversion	456,074,140	L	21,347,912	4.7%	37,136,073	8.1%	91,498,833	20.1%	32.9%	11,941,684	2.6%	294,149,639	64.5%
	% Unexpended	2.4%		0.3%		3.53%		3.41%			0.29%			7.57%
2011-12	Authorization	19,698,616,193	M	7,617,376,287	38.7%	1,006,454,200	5.1%	2,556,910,757	13.0%	56.8%	4,575,882,407	23.2%	3,941,992,542	20.0%
	Expenditure	19,571,795,418		7,579,687,341	38.7%	1,002,081,608	5.1%	2,550,935,536	13.0%	56.9%	4,575,821,800	23.4%	3,863,269,133	19.7%
	Reversion	126,820,775		37,688,946	29.7%	4,372,592	3.4%	5,975,221	4.7%	37.9%	60,607	0.0%	78,723,409	62.1%
	% Unexpended	0.6%		0.5%		0.43%		0.23%			0.00%			2.00%
2012-13	Authorization	20,492,335,814	N	7,844,644,612	38.3%	1,040,421,605	5.1%	2,663,562,434	13.0%	56.4%	5,008,983,415	24.4%	3,934,723,748	19.2%
	Expenditure	20,201,593,228		7,740,033,167	38.3%	1,036,253,406	5.1%	2,651,847,350	13.1%	56.6%	5,005,715,991	24.8%	3,767,743,314	18.7%
	Reversion	290,742,586		104,611,445	36.0%	4,168,199	1.4%	11,715,084	4.0%	41.4%	3,267,424	1.1%	166,980,434	57.4%
	% Unexpended	1.4%		1.3%		0.40%		0.44%			0.07%			4.24%

- Notes**
- A Amounts Adjusted; see Total General Fund Authorizations as Adjusted Table to determine Total Current Operations.
  - B Adjusted to include Year 2000 Appropriation for 1997-98 made by the 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 S.L. 1998-212, sec. 9 (S.B. 1366), 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 landfill.
  - F Total includes \$240 million transferred from 11th/12th month payroll funds to Intangibles Reserve and additional \$11 million transferred 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: 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, FY 2001-02, and FY 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.
  - K The \$502.3 million shown as reversions reflects reduced spending authorizations due to a revenue shortfall.
  - L The \$456.1 million shown as reversions reflects the requirement of S.L. 2011-15 (S.B. 109), An Act To Require The Governor To Cut Spending For The Current Fiscal Year.
  - M Total Authorizations increased pursuant to S.L. 2012-2, which authorized up to \$20 million in overcollections to address the FY 2011-12 budget shortfall in Medicaid.
  - N Total Authorizations increased pursuant to S.L. 2013-156 and S.L. 2013-184, which authorized \$308.1 million in overcollections and unreserved fund balance to address the FY 2012-13 budget shortfall in Medicaid.



## Earmarking of the Year-end Fund Balance by Fiscal Year

(Includes Earmarkings, Transfers, and Appropriations directly from Year-End Fund Balance)

Fiscal Year	Balance on June 30 Fiscal Year End*	Statutory Earmarkings, Transfers, and Appropriations of Year-end Fund Balance							Balance for Subsequent Fiscal Year on July 1
		Savings Reserve Account	Repairs & Renovations Reserve	Clean Water Management Trust Fund**	Tax Relief/ Tax Refunds	Other Earmarkings	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 <b>A</b>	146,305,569 <b>B</b>		28,100,000 <b>C</b>			387,411,138	292,611,137
1995-96	726,581,754	77,342,026	130,000,000	47,100,000 <b>D</b>	26,200,000 <b>E</b>		39,803,567 <b>F</b>	320,445,593	406,136,161
1996-97	759,306,050		174,260,955	49,354,893	156,000,000 <b>G</b>	61,000,000 <b>H</b>		440,615,848	318,690,202
1997-98	784,224,890	21,568,903	145,000,000	47,397,819		400,000,000 <b>I</b>	55,027,680 <b>J</b>	668,994,402	115,230,488
1998-99	514,756,178		150,000,000	31,054,152			37,000,000 <b>K</b>	218,054,152	296,702,026
1999-00	3,869,243	967,311	2,901,932		0 <b>L</b>			3,869,243	0
2000-01	6,350,587				0 <b>L</b>	6,350,587 <b>M</b>		6,350,587	0
2001-02	3,785,997 <b>N</b>							0	25,000,000 <b>N</b>
2002-03	415,543,840 <b>O</b>	150,000,000	15,000,000					165,000,000	250,543,840 <b>O</b>
2003-04	482,842,037 <b>P</b>	116,666,064	76,797,361					193,463,425	289,378,612 <b>P</b>
2004-05	802,633,946 <b>Q</b>	199,125,000	125,000,000					324,125,000	478,508,946 <b>Q</b>
2005-06	1,287,766,872 <b>R</b>	316,151,631 <b>S</b>	222,229,189					538,380,820	749,386,052 <b>R</b>
2006-07	1,541,181,489 <b>T</b>	175,000,000 <b>U</b>	145,000,000					320,000,000	1,221,181,489 <b>T</b>
2007-08	668,876,937 <b>V</b>	0 <b>W</b>	69,839,238					69,839,238	599,037,699 <b>V</b>
2008-09	92,237,091 <b>X</b>							0	92,237,091
2009-10	236,902,394							0	236,902,394 <b>Y</b>
2010-11	1,015,599,914 <b>Z</b>	183,650,000	124,500,000			125,000,000 <b>AA</b>		433,150,000	582,449,914
2011-12	694,038,532	123,170,924	23,170,924			154,000,000 <b>BB</b>		300,341,848	393,696,684
2012-13	968,432,877	232,537,942	150,000,000			308,100,000 <b>CC</b>		690,637,942	277,794,935

\* June 30th unreserved fund balance according to the Office of State Budget and Management and the Office of the State Controller.

\*\* 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.

### Notes

A Includes direct transfer to the Savings Reserve Account of \$66.7 million (S.L. 1993-769, Sec. 3).

B Only \$125 million was appropriated by the General Assembly for Repairs and Renovations; the balance of \$21,305,569 was appropriated by the 1996 Session of the General Assembly for Special Projects.

## Earmarking of the Year-end Fund Balance by Fiscal Year

(Includes Earmarkings, Transfers, and Appropriations directly from Year-End Fund Balance)

- C Funds reserved for Future Tax Relief (S.L. 1993-769, Sec. 8.2).
- D \$9.2 million was transferred to the Wetlands Restoration Fund (S.L. 1996-18, Sec. 27.6(d)).
- E Reserve for Federal Retirees Refund (\$25 million) and Federal Retiree Administration (\$1.2 million).
- F Appropriation of additional FY 1996-97 capital improvements of \$39,519,567 made by re-appropriating FY 1995-96 unexpended appropriations and the appropriation of FY 1995-96 reversion of \$284,000 for library grants. Library grant was not re-appropriated but held in reserve. (Second Extra Session 1996-53, Sec. 7.11)
- G Funds reserved for Intangible Tax Remedy/Refunds (S.L. 1997-443, Sec. 6).
- H Investment in North Carolina Railroad stock (S.L. 1997-443, Sec. 6).
- I Funds reserved for Bailey/Emory/Patton Reserve (S.L. 1998-212, Sec. 6).
- J Appropriation of FY 1997-98 reversions for FY 1997-98 in accordance with S.L. 1998-212, Sec. 9.
- K \$30 million appropriation for Aquariums capital improvements (S.L. 1998-212, Sec. 29.17); \$7 million appropriated for Warren County landfill (S.L. 1999-456, Sec. 54).
- L Year-end fund balance insufficient for earmarking; General Assembly appropriated \$30 million directly to the Clean Water Management Trust Fund.
- M Transferred to the Reserve for Disaster Relief.
- N The beginning unreserved fund balance recognized by the General Assembly and included in General Fund availability for FY 2002-03 was \$25 million, as specified in S.L. 2002-126, Sec. 2.2.(a).
- O The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$409.2 million and \$244.2 million, respectively (S.L. 2003-284, Sec. 2.2(a)).
- P The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$466.7 million and \$273.2 million, respectively (S.L. 2004-124, Sec. 2.2(a)).
- Q The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$796.5 million and \$472.4 million, respectively (S.L. 2005-276, Sec. 2.2(a)).
- R The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$1.296 billion and \$749.4 million, respectively (S.L. 2006-66, Sec. 2.2(a)).
- S 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.
- T The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$1.493 billion and \$1.173 billion, respectively (S.L. 2007-323, Sec. 2.2(a)).
- U Pursuant to S.L. 2007-323, Sec. 2.2.(c1), Savings Reserve earmarking recognized by the General Assembly was \$175 million.
- V The unreserved fund balance recognized by the General Assembly prior to and after earmarkings was \$576.1 million and \$506.2 million, respectively (S.L. 2008-107, Sec. 2.2(a)).
- W Pursuant to S.L. 2008-107, Sec. 2.2.(c1), Savings Reserve earmarking recognized by the General Assembly was \$0.
- X The unreserved fund balance recognized by the General Assembly was \$91,967,011 (S.L. 2009-451, Sec. 2.2(a)).
- Y The unreserved fund balance recognized by the General Assembly was \$3,972,262 (S.L. 2010-31, Sec. 2.2(a)). As per the Office of State Budget and Management, Medicaid reimbursements anticipated for the first quarter of FY 2010-11 were drawn down and deposited into the FY 2009-10 budget.
- Z The unreserved beginning fund balance prior to earmarking recognized by the General Assembly was \$955,443,193 (S.L. 2011-145, Sec. 2.2(a)). The Fiscal Research Division published a revised Availability Statement that reflected actual beginning fund balance of \$1,015,599,914 prior to earmarking.
- AA S.L. 2011-145, Sec. 2.2(j) authorized up to \$125 million for the repayment of Medicaid federal funds.
- BB S.L. 2012-2 authorized the use of funds, including net appropriations up to \$154 million, to help close the FY 2011-12 shortfall in Medicaid.
- CC S.L. 2013-56 as amended by S.L. 2013-184, Sec. 13 authorized the use of \$308.1 million from unreserved fund balance and revenue overcollections to help close the FY 2012-13 shortfall in Medicaid.

**Savings Reserve Account at Fiscal Year Ending June 30th**

<b>Fiscal Year</b>	<b>Prior Fiscal Year Current Operations Appropriation*</b>	<b>Statutory Goal: 8% of Prior Fiscal Year Operations Appropriation**</b>	<b>Unreserved Fund Balance at Fiscal Year End June 30th</b>	<b>Current Year Earmarking / Appropriation to Savings Reserve</b>	<b>Withdrawals and Adjustments</b>	<b>Savings Reserve Account Balance</b>
1990-91				141,000,000 A		0
1991-92	7,726,343,007	<b>386,317,150</b>	164,773,001	41,593,253	0	<b>41,593,253</b>
1992-93	7,825,507,308	<b>391,275,365</b>	537,330,259	134,332,565	0	<b>175,925,818</b>
1993-94	8,114,332,336	<b>405,716,617</b>	622,712,983	155,678,246	(121,000,000) B	<b>210,604,064</b>
1994-95	9,125,084,906	<b>456,254,245</b>	586,422,276 B	213,005,569		<b>423,609,633</b>
1995-96	10,019,033,177 C	<b>500,951,659</b>	726,581,754	77,342,029	0	<b>500,951,662</b>
1996-97	9,793,062,378	<b>489,653,119</b>	759,306,050	0	0	<b>500,951,662</b>
1997-98	10,450,411,229 D	<b>522,520,561</b>	784,224,890	21,568,899	0	<b>522,520,561</b>
1998-99	11,258,582,548 E	<b>562,929,127</b>	515,077,350	0 F	(200,000,000) G	<b>322,520,561</b>
1999-2000	12,327,025,974 H	<b>616,351,299</b>	3,869,243	967,311	(285,965,824) I	<b>37,522,048</b>
2000-01	13,441,610,285	<b>672,080,514</b>	6,350,587	120,000,000 J		<b>157,522,048</b>
2001-02	13,878,542,760	<b>693,927,138</b>	3,785,997 M, N	90,000,000 K	(247,522,048) L	0
2002-03	14,705,809,843	<b>735,290,492</b>	415,543,840 O	150,000,000		<b>150,000,000</b>
2003-04	14,320,664,876	<b>716,033,244</b>	482,842,037 P	116,666,064	391,343 Q	<b>267,057,407</b>
2004-05	14,871,621,783	<b>743,581,089</b>	802,633,946 R	199,125,000	(153,541,447) S	<b>312,640,960</b>
2005-06	15,897,680,933	<b>794,884,047</b>	1,287,766,872 T	316,151,631 T	0	<b>628,792,591</b>
2006-07	17,161,861,310	<b>858,093,066</b>	1,541,181,489 U	175,000,000	(17,142,913) V	<b>786,649,678</b>
2007-08	18,673,708,783	<b>933,685,439</b>	668,876,937	0	0	<b>786,649,678</b>
2008-09	20,441,301,149	<b>1,635,304,092</b>	92,237,091	0	(636,649,678) W	<b>150,000,000</b>
2009-10	21,239,049,461	<b>1,699,123,957</b>	236,902,394	0	0	<b>150,000,000</b>
2010-11	19,034,299,596	<b>1,522,743,968</b>	1,015,599,914	183,650,000	(38,008,589) X	<b>295,641,411</b>
2011-12	18,974,565,403	<b>1,517,965,232</b>	694,038,532	123,170,924		<b>418,812,335</b>
2012-13	19,720,747,946	<b>1,577,659,836</b>	968,432,877	232,537,942		<b>651,350,277</b>

\* Includes Local Government Shared Revenues/Reimbursements

\*\* 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 statutory cap of 5% of prior year operations appropriations. Effective July 1, 2007, G.S. 143C-4-2 of the State Budget Act 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 Savings Reserve 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.

## Savings Reserve Account at Fiscal Year Ending June 30th

### Notes

- A The General Assembly appropriated \$141 million; this reserve was used to offset a shortfall in revenue for FY 1990-91.
- B The General Assembly authorized the transfer of \$121 million to be used for the purpose of restoring the June 30 paydate.
- C Includes direct appropriation to Savings Reserve Account (\$66.7 million) and Local Government Shared Revenue (\$236.8 million).
- 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 the 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 Fund balance 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 fund balance.
- O This amount is per OSBM and the Office of the State Controller (OSC). The unreserved fund balance recognized by the General Assembly prior to earmarkings was \$409.2 million.
- P Fund balance per OSBM. The unreserved fund 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 Fund balance per OSBM and OSC. The unreserved fund balance recognized by the General Assembly prior to earmarkings was \$796.5 million.
- S S.L. 2005-1, Hurricane Recovery Act of 2005, appropriated \$123.5 million from the Savings Reserve Account for hurricane recovery efforts. An additional \$30 million for mitigation efforts was expended as recommended by the Governor.
- T June 30th fund balance and final Savings Reserve earmarking per OSBM and OSC. Estimated unreserved fund balance and Savings Reserve earmarking recognized by the General Assembly (S.L. 2006-66, Modify Appropriations Act of 2005) was \$1.296 billion and \$323.9 million respectively.
- U June 30th fund balance and final Savings Reserve earmarking per OSBM and OSC. Estimated unreserved fund balance and Savings Reserve earmarking recognized by the General Assembly was \$1.493 billion and \$175 million respectively.
- V Section 2.2.(g) of S. L. 2006-66, Modify Appropriations Act of 2005, directed the State Treasurer to transfer funds from the Savings Reserve to hold the Highway Fund and the Highway Trust Fund harmless from the cap on the Motor Fuels Tax.
- W S.L. 2009-16, State Hlth Plan \$/Good Health Initiatives, appropriated \$250 million from the Savings Reserve Account to the State Health Plan to cover a projected shortfall in the Plan for FY 2008-09. Additionally, S.L. 2009-215, Continuing Budget Authority, 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.
- X Section 1.3 of S.L. 2010-123, Budget Technical Corrections, authorized the Director of the Budget to use \$38,008,589 from the Savings Reserve Account to offset the loss of Enhanced FMAP Funds.

**Actual Tax Revenues Collected by Major Schedules**

<b>Fiscal Year</b>	<b>Individual Income</b>	<b>Corporate Income</b>	<b>Total Income Tax</b>	<b>Sales &amp; Use</b>	<b>Franchise</b>	<b>Inheritance</b>	<b>Alcohol</b>	<b>Insurance</b>	<b>Cigarette/ Tobacco</b>	<b>Soft Drinks</b>	<b>Other</b>	<b>Total Tax Revenue</b>
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	9,470,172,884	835,544,512	10,305,717,396	4,677,947,375	651,938,670	104,256,014	228,458,572	466,601,945	227,056,891	0	118,003,597	16,779,980,460
2009-10	9,047,605,408	1,197,865,423	10,245,470,831	5,565,043,256	724,451,377	71,905,766	282,316,942	486,848,659	251,730,956	0	118,272,416	17,744,727,983
2010-11	9,734,868,036	1,013,546,433	10,748,414,469	5,871,669,069	607,500,353	23,755,446	275,193,609	480,134,608	265,270,142	0	109,401,632	18,381,339,329
2011-12	10,272,136,381	1,132,871,163	11,405,007,544	5,257,585,405	612,527,734	58,102,537	287,363,097	460,440,592	270,900,735	0	112,497,655	18,464,425,299
2012-13	10,953,140,820	1,191,730,504	12,144,871,324	5,294,146,987	660,141,125	111,430,080	298,639,841	521,509,350	255,400,938	0	115,744,723	19,401,884,368

